



**Auditor of State
Betty Montgomery**

LIBERTY TOWNSHIP
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Nonexpendable Trust Fund – For the Year Ended December 31, 2004	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Nonexpendable Trust Fund – For the Year Ended December 31, 2003	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	23

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Liberty Township
Butler County
6400 Princeton Road
Liberty Township, Ohio 45011

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 29, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Butler County
6400 Princeton Road
Liberty Township, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this Township, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds, the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Liberty Township, Butler County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis that Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 29, 2005

LIBERTY TOWNSHIP
BUTLER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$332,549	\$4,610,528	\$0	\$0	\$4,943,077
Intergovernmental	1,001,665	868,945		693,194	2,563,804
Special Assessments	160			234,773	234,933
Charges for Services		154,052			154,052
Licenses, Permits, and Fees	108,071	223,033			331,104
Fines and Forfeitures	9,972				9,972
Earnings on Investments	120,676	1,669		2,850	125,195
Other Revenue	40,710	69,030		58,768	168,508
Total Cash Receipts	<u>1,613,803</u>	<u>5,927,257</u>	<u>0</u>	<u>989,585</u>	<u>8,530,645</u>
Cash Disbursements:					
Current:					
General Government	441,319	168,876			610,195
Public Safety		3,090,691			3,090,691
Public Works		489,242		246,773	736,015
Health	24,622	12,504			37,126
Conservation - Recreation	270,813				270,813
Debt Service:					
Redemption of Principal			2,545,398		2,545,398
Interest and Fiscal Charges			243,548		243,548
Capital Outlay	<u>207,673</u>	<u>1,548,336</u>		<u>3,081,653</u>	<u>4,837,662</u>
Total Cash Disbursements	<u>944,427</u>	<u>5,309,649</u>	<u>2,788,946</u>	<u>3,328,426</u>	<u>12,371,448</u>
Total Receipts Over/(Under) Disbursements	669,376	617,608	(2,788,946)	(2,338,841)	(3,840,803)
Other Financing Sources/(Uses):					
Sale of Notes			2,115,706		2,115,706
Operating Transfers-In			673,241	1,050,892	1,724,133
Advances-In	294,092			300,000	594,092
Operating Transfers-Out	(1,339,670)	(384,463)			(1,724,133)
Advances-Out	(300,000)			(294,092)	(594,092)
Total Other Financing Sources/(Uses)	<u>(1,345,578)</u>	<u>(384,463)</u>	<u>2,788,947</u>	<u>1,056,800</u>	<u>2,115,706</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	(676,202)	233,144	1	(1,282,041)	(1,725,097)
Fund Cash Balances, January 1	<u>1,837,539</u>	<u>6,456,378</u>	<u>14,927</u>	<u>1,922,876</u>	<u>10,231,720</u>
Fund Cash Balances, December 31	<u>\$1,161,337</u>	<u>\$6,689,522</u>	<u>\$14,928</u>	<u>\$640,835</u>	<u>\$8,506,623</u>
Reserve for Encumbrances, December 31	<u>\$1,460</u>	<u>\$269,056</u>	<u>\$0</u>	<u>\$1,548,074</u>	<u>\$1,818,590</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
BUTLER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	<u>\$67</u>
Earnings on Investments	67
Total Operating Cash Receipts	<u>12,426</u>
Fund Cash Balance, January 1	<u>\$12,493</u>
Fund Cash Balances, December 31	

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
BUTLER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$306,585	\$4,305,740	\$0	\$0	\$4,612,325
Intergovernmental	825,629	741,721		69,501	1,636,851
Special Assessments	1,113			216,113	217,226
Charges for Services		158,535			158,535
Licenses, Permits, and Fees	99,811	220,770			320,581
Fines, Forfeitures, and Penalties	7,452				7,452
Earnings on Investments	151,707	2,690		6,284	160,681
Other Revenue	77,572	27,851		50,172	155,595
Total Cash Receipts	<u>1,469,869</u>	<u>5,457,307</u>	<u>0</u>	<u>342,070</u>	<u>7,269,246</u>
Cash Disbursements:					
Current:					
General Government	420,734	108,233			528,967
Public Safety		2,840,883			2,840,883
Public Works	95	412,172		258,961	671,228
Health	13,771	12,596			26,367
Conservation - Recreation	329,816				329,816
Debt Service:					
Redemption of Principal			2,690,172		2,690,172
Interest and Fiscal Charges			217,670		217,670
Capital Outlay	84,473	1,236,618		650,239	1,971,330
Total Cash Disbursements	<u>848,889</u>	<u>4,610,502</u>	<u>2,907,842</u>	<u>909,200</u>	<u>9,276,433</u>
Total Receipts Over/(Under) Disbursements	620,980	846,805	(2,907,842)	(567,130)	(2,007,187)
Other Financing Sources/(Uses):					
Sale of Notes			2,338,847	1,996,728	4,335,575
Operating Transfers-In			448,939	19,800	468,739
Advances-In				282,993	282,993
Operating Transfers-Out	(358,200)	(110,539)			(468,739)
Advances-Out	(282,993)				(282,993)
Total Other Financing Sources/(Uses)	<u>(641,193)</u>	<u>(110,539)</u>	<u>2,787,786</u>	<u>2,299,521</u>	<u>4,335,575</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	(20,213)	736,266	(120,056)	1,732,391	2,328,388
Fund Cash Balances, January 1	1,857,752	5,720,112	134,983	190,485	7,903,332
Fund Cash Balances, December 31	<u>\$1,837,539</u>	<u>\$6,456,378</u>	<u>\$14,927</u>	<u>\$1,922,876</u>	<u>\$10,231,720</u>
Reserve for Encumbrances, December 31	<u>\$235,768</u>	<u>\$265,289</u>	<u>\$0</u>	<u>\$1,667,927</u>	<u>\$2,168,984</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
BUTLER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$98</u>
Total Operating Cash Receipts	98
Fund Cash Balance, January 1	<u>12,328</u>
Fund Cash Balance, December 31	<u><u>\$12,426</u></u>

The notes to the financial statements are an integral part of this statement.

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township, Butler County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, emergency medical services, and recreational facilities.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting that the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements method. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township values certificates of deposit and U.S. Agency securities at cost. Money market mutual funds are recorded at share cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as investments. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund that reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for the proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue funds:

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge - This fund receives property tax monies to pay the costs of constructing, maintaining, and repairing Township roads and bridges.

Fire Department Fund – This fund receives property tax monies to pay the costs of the daily operations and activities of the Fire Department.

Police Fund – This fund receives property tax monies to pay the costs of police protection and patrol services.

3. Debt Service Funds

These funds are used to account for resources for the accumulation and payment of bond and note indebtedness. The Township had the following significant Debt Service funds:

General Bond & Note Retirement Fund – This fund receives transfers from other funds which are used to retire general obligation debt of the Township.

Parkland Fund – This fund receives transfers from other funds which are used to retire parkland acquisition notes.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project funds:

Firehouse Construction Permanent Improvement Fund – This fund received proceeds for paying the costs of construction of a new firehouse.

Liberty Interchange Permanent Improvement Fund – This fund receives monies for paying the costs of road construction along the Liberty Interchange.

I-747 & Princeton Road Interchange Permanent Improvement Fund – This fund receives monies for paying the costs of road construction along the I-747 & Princeton Road Interchange.

5. Fiduciary Fund (Nonexpendable Trust Fund)

This fund is used to account for resources that are restricted by a legally binding trust agreement. The Township had the following Fiduciary fund:

Cemetery Bequest Fund – This nonexpendable trust fund is used to account for the maintenance of cemetery plots.

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve an appropriation measure and all subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The accompanying financial statements do not include a liability for unpaid leave.

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2004	2003
Demand Deposits	\$3,040,398	\$4,835,073
Certificates of Deposit	5,094	5,094
Savings Accounts	7,404	7,394
Total Deposits	3,052,896	4,847,561
Commercial Paper	548,941	
U.S. Agency Securities	4,917,279	5,396,585
Total Investments	5,466,220	5,396,585
Total Deposits & Investments	\$8,519,116	\$10,244,146

Deposits: Deposits are either: (1) insured by the Federal Depository Insurance Corporation; or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Township invests with Seasongood Asset Management. U.S. Bank is the custodian of the investment account. The Township's securities are held in book entry form by the financial institution's trust in the name of the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,357,932	\$1,613,803	\$255,871
Special Revenue	5,458,422	5,927,257	468,835
Debt Service	1,695,672	2,788,947	1,093,275
Capital Projects	3,823,595	2,040,477	(1,783,118)
Nonexpendable Trust	60	67	7
Total	\$12,335,681	\$12,370,551	\$34,870

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,914,750	\$2,285,557	\$2,629,193
Special Revenue	7,981,566	5,963,168	2,018,398
Debt Service	1,695,672	2,788,946	(1,093,274)
Capital Projects	8,191,911	4,876,500	3,315,411
Expendable Trust	200	0	200
Total	<u>\$22,784,099</u>	<u>\$15,914,171</u>	<u>\$6,869,928</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,096,449	\$1,469,869	\$373,420
Special Revenue	4,343,415	5,457,307	1,113,892
Debt Service	1,615,171	2,787,786	1,172,615
Capital Projects	638,428	2,358,598	1,720,170
Nonexpendable Trust	250	98	(152)
Total	<u>\$7,693,713</u>	<u>\$12,073,658</u>	<u>\$4,379,945</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,915,113	\$1,442,857	\$472,256
Special Revenue	5,524,165	4,986,330	537,835
Debt Service	1,568,087	2,907,842	(1,339,755)
Capital Projects	3,084,663	2,577,127	507,536
Nonexpendable Trust	200	0	200
Total	<u>\$12,092,228</u>	<u>\$11,914,156</u>	<u>\$178,072</u>

Budgetary Noncompliance

In 2004, appropriations exceeded estimated resources in the following funds: General Fund and I-747/Princeton Road Permanent Improvement Fund. In 2003, appropriations exceeded estimated resources in the following funds: Fire Station Bond Retirement, Liberty Interchange Permanent Improvement Fund, and Miscellaneous Capital Projects Fund.

In 2004 and 2003, expenditures exceeded appropriations in the Debt Service Fund.

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The accompanying financial statements include homestead and rollback amounts that the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

Issue	Principal	Interest Rate
Firehouse Construction Bonds	\$1,925,000	2.00%
Township Building Bonds	1,275,000	3.55%
Parkland Acquisition Bond Anticipation Notes, Series B	1,115,706	6.00%
Land Acquisition Bond Anticipation Notes	121,482	4.55%
Total	\$4,437,188	

The Firehouse Construction Bonds were issued in 2003 to finance the construction of a fire station, including land acquisition.

The Township Building Bonds were issued to finance the construction of a maintenance building and salt storage building.

The Parkland Acquisition Bond Anticipation Notes, Series B, were issued to finance the cost of acquiring parkland for the development of township parks.

The Land Acquisition Notes were issued to finance the cost of acquiring the land for the construction of a fire station in the Township.

All of the outstanding bonds and notes are general obligation debt of the Township and are collateralized solely by the Township's taxing authority.

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	Firehouse Construction Bonds	Township Building Bonds	Land Acquisition Bond Anticipation Notes	Parkland Acquisition Bond Anticipation Notes, Series B	Totals
2005	\$151,015	\$103,450	\$84,701	\$1,182,648	\$1,521,814
2006	149,515	107,580	42,350		299,445
2007	148,015	106,400			254,415
2008	150,765	110,100			260,865
2009	148,365	108,470			256,835
2010 – 2014	748,705	333,360			1,082,065
2015 – 2019	744,335	689,300			1,433,635
2020 – 2024	597,148	330,750			927,898
Totals	\$2,837,863	\$1,889,410	\$127,051	\$1,182,648	\$6,036,972

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes the contribution rates. For 2004 and 2003, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equaling 13.55% of the remaining participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risk up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2004 and 2003 as follows:

Casualty Coverage	2004	2003
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained Earnings	\$17,046,241	\$16,000,923

Property Coverage	2004	2003
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained Earnings	\$7,045,167	\$6,040,104

8. CONTINGENT LIABILITIES

The Township is the defendant in a lawsuit. Although management cannot presently determine the outcome of the lawsuit, management believes that the resolution of the matter will not materially or adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes that refunds, if any, would be immaterial.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Liberty Township
Butler County
6400 Princeton Road
Liberty Township, Ohio 45011

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 29, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America (GAAP). We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates the UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-001 through 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management in a separate letter dated November 29, 2005.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as Item 2004-001 through 2004-004. We also noted certain immaterial instances of noncompliance that we have reported to the Township's management in a separate letter dated November 29, 2005.

This report is intended for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 29, 2005

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2004-001

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.39, provides that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure. Contrary to the requirements of this Section, total appropriations exceeded total estimated revenues in the following funds on the dates indicated:

Fund	Date	Total Estimated Resources	Total Appropriations	Variance
Fire Station Bond Retirement	12/31/2003	\$0	\$24,930	(\$24,930)
Liberty Interchange Permanent Improvement Fund	12/31/2003	0	604,321	(604,321)
Miscellaneous Capital Projects	12/31/2003	0	86,796	(86,796)
Fire House Permanent Improvement Fund	12/31/2003	338,628	1,995,950	(1,657,322)
General Fund	12/31/2004	3,267,501	4,678,982	(1,411,481)
I-747/Princeton Road Permanent Improvement Fund	12/31/2004	915,000	2,130,000	(1,215,000)

We recommend that that the Township review estimated resources prior to approving or amending appropriations. If estimated resources are not sufficient to support planned appropriations, the Township should modify appropriations or request an amended certificate, if new revenue sources are identified.

FINDING NUMBER 2004-002

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. At December 31, 2004, the Township had expenditures that exceeded appropriations in the Debt Service Fund by \$1,093,274. At December 31, 2003, the Township had expenditures that exceeded total appropriations in the Debt Service Fund by \$1,339,755.

The Clerk should deny any payment requests exceeding appropriations. The Clerk may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2004-003

Noncompliance/Reportable Condition

Ohio Rev. Code, Sections 5705.14, 5705.15, & 5705.16, provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides that interfund transfers shall only be made by resolution of the taxing authority. Also, 1989 Opinion Attorney General No. 89-075 (Ohio Revised Code Section 5705.14(E)) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds. Contrary to the requirements of these Sections, in 2004 the Township made the following transfers out of the General Fund without resolution of the Board of Trustees:

- A \$50,000 transfer on September 30, 2004, from the General Fund to the Capital Project Liberty Exchange Permanent Improvement Fund.
- A \$40,000 transfer on November 23, 2004, from the General Fund to the Capital Project Liberty Exchange Permanent Improvement Fund.
- A \$63,644 transfer on December 31, 2004, from the General Fund to the Capital Project Liberty Exchange Permanent Improvement Fund.

In addition to the transfers described above, in 2004 the Township also transferred \$147,248 out of the Special Revenue Fire Department Fund to the Capital Project Fire House Permanent Improvement Fund without a resolution of the Board of Trustees.

We also noted in 2004 that a resolution authorizing a \$300,000 transfer out of the General Fund to the Debt Service Fund was actually made for \$117,994.

Individual transfers should be approved by resolution of the Board of Trustees to ensure compliance with the Ohio Revised Code. In addition, approval of individual transfers is a good accounting practice and provides an audit trail to support the amounts transferred.

FINDING NUMBER 2004-004

Noncompliance/Reportable Condition

Ohio Rev. Code, Sections 2921.43(A), (1) and (2), state the following:

- (A) No public servant shall knowingly solicit or accept and no person shall knowingly promise or give to a public servant either of the following:
- (1) Any compensation, other than as allowed by divisions (G), (H), and (I) of section 102.03 of the Revised Code or other provisions of law, to perform his official duties, to perform the public servant's official duties, to perform any other act or service in the public servant's capacity, for the general performance of the duties of the public servant's public office or public employment, or as a supplement to the public servant's public compensation;
 - (2) Additional or greater fees or costs than are allowed by law to perform the public servant's official duties.

Contrary to the requirements of these sections, in 2004 the Township compensated the President of the Board of Trustees (the Trustee President) \$28,254 in gross wages for services performed as acting township administrator. The compensation paid was based upon detailed records of time worked and duties fulfilled by the Trustee President during the period of time from January 6, 2004 through July 20, 2004.

**FINDING NUMBER 2004-004
(Continued)**

Early in January of 2004, the position of township administrator became vacant due to the termination of the township administrator. Because the Board of Trustees (the Board) did not expect to fill the position for four to six months, the Trustee President began to act as township administrator, as required by Ohio Rev. Code Section 505.031, which states that "in the event that the township administrator is absent from his office by reason of illness, death, vacation, . . . the chairman of the board (or a qualified person designated by him with the approval of the board) shall act as township administrator and shall perform all duties of such township office, until such time as the township administrator returns to his duties or the board appoints a new township administrator."

In January of 2004, the Township inquired of the Butler County Prosecutor's Office (the Prosecutor's Office) concerning whether the Board of Township Trustees was obligated to compensate the Trustee President for performing the additional duties imposed by serving as township administrator. In a letter dated March 1, 2004, the Prosecutor's Office informed the Township that it was unable to locate any court decisions or opinions of the Attorney General which specifically indicated whether the Trustee President was entitled to compensation for performing the additional duties in serving as township administrator. The letter went on to state:

Although R. C. Section 505.24 prescribes the maximum compensation which a township trustee may receive, our opinion is that this section is properly applied only to those duties performed as a township trustee. In our opinion, the duties you are performing, as a result of the vacancy in the township administrator position, are the duties of a different township office, and are **not** subject to the limitation upon the compensation which may be received by a township trustee for performing the duties of the office to which he/she was elected.

The letter dated March 1, 2004, from the Prosecutor's Office also stated that it had contacted a representative of the Office of the Auditor of State (AOS) regarding this matter.

Subsequent to receiving the aforementioned letter from the Prosecutor's Office, in April of 2004 the Township passed a resolution which officially appointed the Trustee President to the position of acting administrator at the rate of \$26.50 per hour.

In a communication dated May 21, 2004, from the Legal Division of the AOS to the Prosecutor's Office, the AOS informed the Prosecutor's Office that it believed the compensation of the Trustee President for duties imposed by serving as township administrator may not be legal, based upon uncertainty as to whether such compensation would constitute an illegal interest in a public contract under Ohio Rev. Code Section 511.13 or Ohio Rev. Code Section 2921.42(A). The Township was also directed to Ethics Advisory Opinion No. 99-002. The May 21, 2004, communication from the AOS concluded by requesting that the Prosecutor's Office consult with the Ohio Ethics Commission regarding the matter.

In a letter dated June 8, 2004, from the Prosecutor's Office (on behalf of the Board of Township Trustees of Liberty Township) to the Ohio Ethics Commission (the OEC or the Commission), the Prosecutor's Office formally requested an Advisory Opinion of the OEC relative to the matter.

In a letter dated July 15, 2005, from the OEC to the Prosecutor's Office, the OEC first pointed out that it could not issue an Advisory Opinion relative to the matter because Advisory Opinions are meant to provide guidance upon which a public official or employee can rely before he or she engage in an action that may be prohibited by Ethics Law, and the matter at hand involved actions that had already been taken. The letter went on to state that while the OEC could not provide an Advisory Opinion, it could provide information of a general nature about Ohio Ethics Law and the statutes related to the matter. The letter from the OEC continued by stating that Ohio Rev. Code Section 505.031 mandates a Board President, as a matter of law, to serve as township administrator in the event of a vacancy in the position. The letter went on to cite Ohio Rev. Code Sections 2921.43(A), (1) and (2), which are cited above. The July 15, 2005 letter from the OEC then stated:

**FINDING NUMBER 2004-004
(Continued)**

Therefore, R.C. 2921.43(A)(1) and (2) prohibit the Board President from receiving compensation from the Board for performing the additional duty of Township Administrator.

The letter dated July 15, 2005, from the OEC concluded by stating "Although compensation for the Board President is prohibited, the Board is certainly free, at its own discretion, to recognize her service in some manner."

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Finding for Recovery- A finding for recovery in the amount of \$233.87 was issued against the former Township Administrator in favor of the Township. The finding was issued based upon cell phone charges that were not for a proper public purpose.	Yes, repaid during prior audit.	
2002-002	Noncompliance/Reportable Condition – The Township did not certify the availability of funds for 25% of transactions tested, as required by Ohio Rev. Code, Section 5705.41(D).		Reissued as a management letter citation.
2002-003	Noncompliance/Reportable Condition – Contrary to Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations in the Police Fund and the Capital Projects Road Improvement Fund.		Reissued as a management letter citation for two other funds.
2002-004	Noncompliance/Reportable Condition - The Township failed to properly maintain certain records as required by Ohio Rev. Code, Section 149.351.	Fully corrected.	
2002-005	Reportable Condition- It was recommended that the Township adopt a cell phone policy, consolidate cellular phone service with one vendor, and maintain a master list of cell phone users.	Fully corrected.	

Liberty Township
Butler County
Schedule of Prior Audit Findings
Page 2

2002-006	Reportable Condition - The Township had not established procedures to determine whether the payroll expenditures processed by its outside payroll service organization had been completely and accurately processed.	Fully corrected.	
----------	--	------------------	--



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LIBERTY TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2006**