

LIBERTY TOWNSHIP
CRAWFORD COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2004



Mary Taylor, CPA
Auditor of State

Board of Trustees
Liberty Township
3948 Ridgeton Road
Bucyrus, Ohio 44820

We have reviewed the *Independent Auditors' Report* of Liberty Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Liberty Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 5, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Liberty Township
Crawford County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Crawford County, Ohio, (the Township) as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 audits.

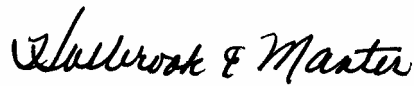
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township has prepared these financial statements using the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Crawford County, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Fire Levy, and Fire Equipment Special Levy funds thereof for the year then ended on the basis of accounting described in Note 2.

As discussed in Note 3, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2007 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.



Certified Public Accountants

January 8, 2007

**LIBERTY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

This discussion and analysis of the Ohio Local Government's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2004, within the limitations of the Government's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$70,534 or 40.0 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest increase of receipts in 2004. The amount received from grants, and local taxes increased by \$57,323 causing the General and all Special funds to increase as well.

The Government's general receipts are primarily property taxes. These receipts represent 46.8 percent of the total cash received for governmental activities during the year. Property tax receipts for 2004 changed very little compared to 2003 as development in the Township has slowed.

Two Levies were passed by the voters in 2004; a .6 Mill Ambulance and EMS levy and a 1 Mill levy for Fire Protection. Both were Replacement Levies for current Levies. An Issue II Grant was received for Road Improvements and was a Joint Grant including two other Townships, Jefferson and Jackson. Liberty received \$14,746.53 from the Grant.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Government's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Government has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Government's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

Basis of Accounting (continued)

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Government did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Government at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Government's general receipts.

These statements report the Government's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other nonfinancial factors as well such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Government into two types of activities:

Governmental activities. Most of the Government's basic services are reported here, including fire, streets and roads. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Government's major funds – not the Government as a whole. The Government establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The fund of the Government is the governmental fund.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The Government's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Government's major governmental funds are the General Fund, Gasoline Tax Fund, Fire Construction and maintenance fund and the Fire Equipment Levy Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$ <u>246,537</u>	\$ <u>176,004</u>
Total Assets	\$ <u><u>246,537</u></u>	\$ <u><u>176,004</u></u>
Net Assets		
Other Purposes	\$ 126,430	\$ 108,638
Unrestricted	<u>120,107</u>	<u>67,366</u>
Total Net Assets	\$ <u><u>246,537</u></u>	\$ <u><u>176,004</u></u>

As mentioned previously, net assets of governmental activities increased \$70,534 or 40 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Unanticipated slow growth in local tax receipts. Due to the slowing economy, local tax receipts growth has been reduced to less than \$85,000.
- Increases in salaries ranging from 2.3% to 3.0% based on current negotiated agreements.
- The Government had several streets and roads that were in very poor condition that needed extensive repairs costing in excess of \$81,000.
- Local tax receipts are down due to unpaid taxes and the State House Bill 66 "Freeze" on Local Government Funds. In addition Personal Property tax is going down 20% per year until it will be eliminated.
- Health benefit costs grew substantially as one elected official receives health care insurance and the premiums increase at every renewal period.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

Table 2 reflects the changes in net assets in 2004. Since the Government did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 8,000
Operating Grants and Contributions	<u>88,158</u>
Total Program Receipts	96,158
General Receipts:	
Property and Other Local Taxes	84,934
Grants and Entitlements Not Restricted to Specific Programs	88,211
Interest	378
Miscellaneous	<u>7,689</u>
Total General Receipts	<u>181,212</u>
Total Receipts	277,370
Disbursements:	
General Government	37,864
Security of Persons and Property:	25,042
Public Health Services	2,180
Public Works	72,358
Capital Outlay	<u>69,393</u>
Total Disbursements	<u>206,837</u>
Excess (Deficiency) Before Transfers	70,533
Net Assets, January 1, 2004	<u>176,004</u>
Net Assets, December 31, 2004	<u>\$ 246,537</u>

**LIBERTY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

Program receipts represent 34.7 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and Rollback, Homestead and Personal Property tax.

General receipts represent 65.3 percent of the Government's total receipts, and of this amount, over 47.0 percent are local taxes. State and federal grants and entitlements make up the balance of the Government's general receipts (49.0 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of the board, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 18 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of fire protection; Public Health Services is the health department; and Public Works is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 13, you will see that the first columns list the major services provided by the Government. The next columns identify the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 35.0 and 12.0 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 18.0 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
General government	\$ 37,864	\$ (26,996)
Security of persons and property	25,042	(17,042)
Public health services	2,180	(2,180)
Public works	72,358	4,932
Capital outlay	69,393	(69,393)
 Total expenses	 \$ 206,837	 \$ (110,679)

**LIBERTY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

The dependence upon property tax receipts is apparent as over 41 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$277,370 and disbursements of \$206,837. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$52,740 as the result of increased receipts from income and property tax receipts.

General Fund receipts were more than disbursements by \$52,740 indicating that the General Fund is in an excess spending situation. It was the recommendation of the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2004 such as curbing the spending on new township equipment. The expenditures included the purchase of new road equipment with the funds for this purpose, coming from one time Estate Tax moneys. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

General Fund Budgeting Highlights

The Government's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant, except the Gasoline Tax Receipts shows an increase due to more receipts being received from the County.

Final disbursements were budgeted at \$99,782 while actual disbursements were \$64,312. Receipts exceeded expectations and appropriations were not reduced. The Government kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$52,741 for 2004 is due to Estate tax receipts.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a possible deficit for 2006; therefore, the administration implemented a strategy to delay the deficit. This plan became effective for 2006. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Government. The only large spending will be done for the anticipated public safety equipment, which the moneys are already earmarked and available for that purchase. We also expect to spend more on repair of roads as the cost to repave a road has gone up substantially with the end result being that we can only pave smaller portions of roads in the future.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ruth Ann Crabaugh, Fiscal Officer; Liberty Township, 3948 Ridgeton Road, Bucyrus, Ohio 44820.

LIBERTY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2004

	<u>2004 Governmental Activities</u>
ASSETS:-	
Equity in pooled cash and cash equivalents	\$ <u>246,537</u>
Total assets	\$ <u><u>246,537</u></u>
 NET ASSETS:-	
Unrestricted:-	
General fund	\$ 120,106
Special revenue fund	<u>126,431</u>
Total net assets	\$ <u><u>246,537</u></u>

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Cash	Charges for	Program Cash	Net (Disbursements)	
	Disbursements	Services	Cash Receipts	Receipts and	
			Operating	Changes in Net Assets	
			Grants and	Governmental	Total
			Contributions	Activities	
GOVERNMENT ACTIVITIES:-					
General government	\$ 37,864	\$ 0	\$ 10,868	\$ (26,996)	\$ (26,996)
Public safety	25,042	8,000	0	(17,042)	(17,042)
Public works	72,358	0	77,290	4,932	4,932
Health	2,180	0	0	(2,180)	(2,180)
Capital outlay	69,393	0	0	(69,393)	(69,393)
Total governmental activities	\$ 206,837	\$ 8,000	\$ 88,158	\$ (110,679)	\$ (110,679)
 GENERAL RECEIPTS:-					
Property taxes				\$ 84,935	\$ 84,935
Grants and entitlements not restricted to specific programs				88,211	88,211
Earnings on investments				378	378
Miscellaneous				7,689	7,689
Total general receipts				181,213	181,213
Change in net assets				70,534	70,534
Net assets beginning of year				176,003	176,003
Net assets at end of year				\$ 246,537	\$ 246,537

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2004

ASSETS

	General	Gasoline Tax	Fire Levy	Fire Equipment Special Levy	Other Governmental Funds	Total Governmental Funds
Equity in pooled cash and cash equivalents	\$ 120,107	\$ 31,377	\$ 25,462	\$ 37,980	31,611	\$ 246,537
Total assets	\$ 120,107	\$ 31,377	\$ 25,462	\$ 37,980	31,611	\$ 246,537

FUND BALANCES

RESERVED:-

Reserved for encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	0	\$ 0
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UNRESERVED:-

Undesignated, reported in:-

General fund	120,107	0	0	0	0	120,107
Special revenue funds	0	31,377	25,462	37,980	31,611	126,430

Total fund balances	\$ 120,107	\$ 31,377	\$ 25,462	\$ 37,980	31,611	\$ 246,537
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See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF MODIFIED CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire Levy</u>	<u>Fire Equipment Special Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:-						
Property and other local taxes	\$ 35,831	\$ 0	\$ 12,519	\$ 17,889	\$ 18,695	\$ 84,934
Charges for services	0	0	8,000	0	0	8,000
License, permit, fees	0	0	0	0	0	0
Intergovernmental	78,095	65,224	1,559	2,217	29,274	176,369
Earnings on investments	329	40	0	0	9	378
Miscellaneous	2,797	0	2,772	598	1,522	7,689
Total receipts	117,052	65,264	24,850	20,704	49,500	277,370
DISBURSEMENTS:-						
Current:-						
General government	37,401	0	0	100	363	37,864
Public safety	2,289	0	10,217	11,788	748	25,042
Public works	0	43,912	2,354	0	26,092	72,358
Health	2,180	0	0	0	0	2,180
Capital outlay	22,442	28,169	0	0	18,782	69,393
Total disbursements	64,312	72,081	12,571	11,888	45,985	206,837
Excess of receipts over (under) disbursements	52,740	(6,817)	12,279	8,816	3,515	70,533
Fund balances beginning of year	67,366	38,194	13,184	29,164	28,096	176,004
Fund balances end of year	\$ 120,106	\$ 31,377	\$ 25,463	\$ 37,980	\$ 31,611	\$ 246,537

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 37,539	\$ 37,539	\$ 35,831	\$ (1,708)
Intergovernmental	20,292	20,292	78,095	57,803
Earning on investments	285	285	329	44
Miscellaneous	200	200	2,797	2,597
Total receipts	58,316	58,316	117,052	58,736
DISBURSEMENTS:-				
Current:-				
General government	60,070	60,268	37,401	22,867
Public safety	5,000	5,014	2,289	2,725
Public works	0	0	0	0
Health	3,500	3,500	2,180	1,320
Other	0	0	0	0
Capital outlay	31,000	31,000	22,442	8,558
Debt service:				
Principal retirement	0	0	0	0
Interest and fiscal charges	6,823	6,823	0	6,823
Total disbursements	106,393	106,605	64,312	42,293
Excess of receipts over (under) disbursements	(48,077)	(48,289)	52,740	101,029
Fund balance beginning of year	67,154	67,154	67,154	0
Prior year encumbrances appropriated	212	212	212	0
Fund balance end of year	\$ 19,289	\$ 19,077	\$ 120,106	\$ 101,029

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 65,224	\$ 15,224
Earning on investments	<u>100</u>	<u>100</u>	<u>40</u>	<u>(60)</u>
Total receipts	50,100	50,100	65,264	15,164
DISBURSEMENTS:-				
Current:-				
Public works	75,383	54,370	43,912	10,458
Capital outlay	<u>10,000</u>	<u>32,120</u>	<u>28,169</u>	<u>3,951</u>
Total disbursements	<u>85,383</u>	<u>86,490</u>	<u>72,081</u>	<u>14,409</u>
Excess of receipts over (under) disbursements	(35,283)	(36,390)	(6,817)	29,573
Fund balance beginning of year	37,087	37,087	37,087	0
Prior year encumbrances appropriated	<u>1,107</u>	<u>1,107</u>	<u>1,107</u>	<u>0</u>
Fund balance end of year	<u>\$ 2,911</u>	<u>\$ 1,804</u>	<u>\$ 31,377</u>	<u>\$ 29,573</u>

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 13,801	\$ 13,801	\$ 12,519	\$ (1,282)
Charge for services	8,000	8,000	8,000	0
Intergovernmental	1,725	1,725	1,559	(166)
Miscellaneous	<u>3,800</u>	<u>3,800</u>	<u>2,772</u>	<u>(1,028)</u>
Total receipts	27,326	27,326	24,850	(2,476)
DISBURSEMENTS:-				
Current:-				
Public safety	22,465	22,465	10,217	12,248
Public works	3,400	3,400	2,354	1,046
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total disbursements	<u>26,865</u>	<u>26,865</u>	<u>12,571</u>	<u>14,294</u>
Excess of receipts over (under) disbursements	<u>461</u>	<u>461</u>	<u>12,279</u>	<u>11,818</u>
Fund balance beginning of year	13,184	13,184	13,184	0
Prior year encumbrances appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance end of year	<u>\$ 13,645</u>	<u>\$ 13,645</u>	<u>\$ 25,463</u>	<u>\$ 11,818</u>

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE EQUIPMENT SPECIAL LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 20,855	\$ 20,855	\$ 17,889	\$ (2,966)
Intergovernmental	2,607	2,607	2,217	(390)
Miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>598</u>	<u>(602)</u>
Total receipts	24,662	24,662	20,704	(3,958)
DISBURSEMENTS:-				
Current:-				
General government	150	150	100	50
Public safety	34,200	34,898	11,788	23,110
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total disbursements	<u>49,350</u>	<u>50,048</u>	<u>11,888</u>	<u>38,160</u>
Excess of receipts over (under) disbursements	<u>(24,688)</u>	<u>(25,386)</u>	<u>8,816</u>	<u>34,202</u>
Fund balance beginning of year	28,466	28,466	28,466	0
Prior year encumbrances appropriated	<u>698</u>	<u>698</u>	<u>698</u>	<u>0</u>
Fund balance end of year	<u>\$ 4,476</u>	<u>\$ 3,778</u>	<u>\$ 37,980</u>	<u>\$ 34,202</u>

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - REPORTING ENTITY:-

Liberty Township, Crawford County, Ohio (the Township), is a body politic and corporate established in 1826 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government.

Primary Government - The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, and fire protection. The police protection is provided by Crawford County Sheriff. The Township is also a member of the Central Joint Ambulance District, which provides ambulance services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

Basis of Presentation - The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements reflect activities of the Township that are governmental. Liberty Township has no activities that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a modified cash basis or draws from the Township's general receipts.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Fund Financial Statements - During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting - The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township's funds are classified as governmental.

Governmental Funds - The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental fund is the General Fund. Other major governmental funds are:

Gasoline Tax Fund – This fund receives gasoline tax money to construct, maintain and repair Township roads.

Fire Construction/Maintenance Fund – This fund receives tax levy money to build and maintain Township Fire Building Construction and providing funds for fire protection.

Fire Equipment Fund – This fund receives tax levy money to purchase and maintain Township fire equipment.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

The other type of funds used by the Township are Special Revenue Funds, they consist of:

Road and Bridge Fund – This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Ambulance & EMS Levy – This fund receives property tax money to provide ambulance and emergency medical services.

Motor Vehicle License Tax Fund – This fund receives MVL tax money to construct, maintain and repair Township roads.

Basis of Accounting - The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Budgetary Process - All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Cash and Investments - To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2004, the Township invested STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 was \$378 which includes \$49 assigned from other Township funds.

Restricted Assets - Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items - The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Capital Assets - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Inter-fund Receivables and Payables - The Township reports advances-in and advances-out for inter-fund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave - In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's modified cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans - The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long Term Obligations - The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Assets - Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Gasoline Tax Fund, Fire Levy Fund, and Fire Equipment Special Levy Fund.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves - The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances when necessary.

Inter-fund Transactions - Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 - CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY:-

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-

The Township reports no deficit fund balances.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING:-

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Fire Levy Fund, and the Fire Equipment Special Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are that the outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an inter-fund receivable or payable (modified cash basis)). There were no outstanding encumbrances or advances at the end of the year.

NOTE 6 - DEPOSITS AND INVESTMENTS:-

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS:- (continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$133,613 of the Township's bank balance of \$233,613 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 7 - PROPERTY TAXES:-

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 7 - PROPERTY TAXES:- (continued)

The full tax rate for all Township operations for the year ended December 31, 2004, was \$47.58 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property:-	
Residential	\$ 13,301,640
Agriculture	6,825,240
Commercial/ Industrial/ Mineral	686,140
Public Utility Property:-	
Real	37,340
Personal	1,453,620
Tangible personal property	<u>506,452</u>
Total assessed value	\$ <u>22,810,432</u>

NOTE 8 - RISK MANAGEMENT:-

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 risks 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.

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 – Through 2004, 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 \$500,000,000 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 township.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 8 - RISK MANAGEMENT:- (continued)

Financial Position - OTARMA's financial statements (audited by other accountants) are represented to conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 2004:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 28,132,620	\$ 27,792,223
Liabilities	(11,086,379)	(11,791,300)
Retained earnings	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,588,343	\$ 6,791,060
Liabilities	(543,176)	(750,956)
Retained earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

NOTE 9 -DEFINED BENEFIT PENSION PLAN:-

Ohio Public Employees Retirement System - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Contributions to the member-directed plan for 2004 were \$4,813 made by the Township and \$3,019 made by the plan members.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 10 - POST EMPLOYMENT BENEFITS:-

Ohio Public Employees Retirement System - The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll 4.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post employment benefits were \$7,832. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Liberty Township
Crawford County

We have audited the accompanying financial statements of Liberty Township, Crawford County, Ohio (the Township), as of and for the year ended December 31, 2004, and have issued our report thereon dated January 8, 2007, wherein we noted the Township had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Township in a separate letter dated January 8, 2007.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated January 8, 2007.

This report is intended solely for the information and use of the management and Township Council. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Holbrook & Manter' in a cursive script.

Certified Public Accountants

January 8, 2007

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC 5705.41(B) - States in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.	Yes	Client did not exceed appropriations in 2004.



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

CRAWFORD 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
APRIL 17, 2007**