

LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

Board of Trustees
Liberty Township
6400 Princeton Road
Liberty Township, Ohio 45011

We have reviewed the *Independent Auditors' Report* of Liberty Township, Butler County, prepared by Cassady Schiller & Associates Inc., for the audit period January 1, 2008 through December 31, 2008. 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 1, 2010

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Liberty Township
Butler County, Ohio
For the Year Ended December 31, 2008

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INDEPENDENT AUDITORS' REPORT



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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2008, 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 opinions 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 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. 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, Butler County, Ohio, as of December 31, 2008 and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Fire and Police Funds thereof for the year then ended in conformity with the basis of accounting described in Note 1.

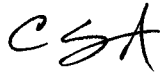
In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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* and should be considered in assessing the results of our audit.

CERTIFIED PUBLIC ACCOUNTANTS

4705 Lake Forest Drive
Cincinnati, Ohio 45242
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The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, consisting of the letters 'CSA' in a cursive, stylized font.

December 17, 2009

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

This discussion and analysis of Liberty Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2008 are as follows:

Liberty Township accomplished many financial achievements in 2008. Highlights include an increase in other sources of revenue, new capital improvements under way, and an upgrade to the Township's bond rating from Aa3 to Aa2.

Liberty Township had an increase in governmental net assets of \$4,884,663, or 36 percent, from the prior year. The total year-end net assets were \$18,582,499. The Fire Fund held the largest percentage of net assets at 21 percent. The General Fund and Police fund made up 19 percent and 11 percent, respectively.

The Township's general receipts are primarily property and other local taxes. These receipts represent \$11,909,818, or 48 percent, of the total cash received for governmental activities during the year. This is a 12 percent increase compared to 2007, which is mainly due to the increase in TIF (Tax Increment Financing), RID (Residential Incentive District) and JEDD (Joint Economic Development District) revenues. JEDD revenues increased largely due to the opening of Cincinnati Children's Hospital in August 2008. Another reason for the increase in revenues is the sale of bonds, which funded the following projects: the replacement of Fire Station #1, an additional salt storage facility to help improve the operation of treating the roads, and the intersection improvements at Kyles Station and State Route 747.

The Township had \$20,134,885 in disbursements; only \$2,065,695 of these disbursements were offset by program specific charges for services and sales, grants and contributions.

In May 2008 the Township's bond rating was upgraded from Aa3 to Aa2, which is the second highest rating for all bond issuances. This upgrade was due to several key factors, which include: Township's management and financial controls, growth planning, General fund reserves, and the creation of the JEDD. Not only did the upgrade save the Township money on debt issuance costs, but Liberty Township is now one of the top six Townships in the area with Aa2 rating.

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 Township'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 Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township 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.

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 Township 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 what is required by generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township 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 Township's general receipts.

These statements report the Township'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 Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

The statement of net assets and the statement of activities are comprised of governmental activities only.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township 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 funds of the Township are split into two categories: governmental and fiduciary.

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township'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 Township's programs. The Township'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 Township's major governmental funds are the General Fund, the Fire Fund and the Police Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a modified cash basis:

(Table 1)

Net Assets

	Governmental Activities		
	2008	2007	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$18,582,499	\$13,697,836	\$4,884,663
Net Assets			
Restricted for:			
Capital Projects	\$6,669,677	\$2,046,550	\$4,623,127
Debt Service	17,934	37,580	(19,646)
Permanent Fund: Allen Park			
Expendable	0	3,285	(3,285)
Non-Expendable	0	25,000	(25,000)
Public Safety	6,587,427	6,723,345	(135,918)
Public Works	1,561,624	1,648,230	(86,606)
Other Purposes	157,870	408,573	(250,703)
Unrestricted	3,587,967	2,805,273	782,694
Total Net Assets	\$18,582,499	\$13,697,836	\$4,884,663

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

As mentioned previously, net assets of governmental activities increased \$4,884,663, or 36 percent during 2008. The primary reasons contributing to the increases in cash balances are as follows:

- The General Purpose property and other local tax revenue increased substantially over 2008 due to the collection of our JEDD, TIF, and RID revenue. These additional revenue sources make up 88 percent, or \$5,168,061, of the revenue received in General Purpose property and other local taxes.
 - The JEDD revenue increased \$91,408 or 50 percent compared to 2007
 - The RID/TIF revenue increased \$770,794 or 21 percent compared to 2007
- The Township received debt service funds of \$8,929,180 (net of fees) to finance the following projects:
 - Replacement of Fire Station #1 on Princeton-Glendale Road
 - Additional Salt Storage Facility at the new Fire Station #1 location
 - Intersection improvement at Kyles Station Road and State Route 747
 - Renew the 747/Princeton Road one year Note into a Bond

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 reflects the changes in net assets on a modified cash basis in 2008 and 2007.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$976,525	\$1,039,978
Operating Grants and Contributions	1,089,170	1,081,685
Capital Grants and Contributions	0	300,011
Total Program Receipts	<u>2,065,695</u>	<u>2,421,674</u>
General Receipts:		
Property and Other Local Taxes	11,909,818	10,257,747
Grants and Entitlements Not Restricted to Specific Programs	1,051,177	1,275,009
Sale of Bonds	8,929,180	0
Sale of Notes	0	2,020,000
Earnings on Investments	559,736	670,850
Miscellaneous	503,942	171,828
Total General Receipts	<u>22,953,853</u>	<u>14,395,434</u>
Total Receipts	<u>25,019,548</u>	<u>16,817,108</u>
Disbursements:		
General Government	5,856,808	2,896,968
Public Safety	6,032,397	5,180,622
Public Works	1,208,982	1,038,999
Health	56,390	26,892
Conservation-Recreation	214,773	184,921
Capital Outlay	3,848,117	1,921,759
Debt Service:		
Principal Retirement	2,468,141	2,533,141
Interest and Fiscal Charges	449,277	304,699
Total Disbursements	<u>20,134,885</u>	<u>14,088,001</u>
Excess (Deficiency) Before Transfers	<u>4,884,663</u>	<u>2,729,107</u>
Increase in Net Assets	<u>4,884,663</u>	<u>2,729,107</u>
Net Assets at Beginning of Year	<u>13,697,836</u>	<u>10,968,729</u>
Net Assets at End of Year	<u>\$18,582,499</u>	<u>\$13,697,836</u>

Program receipts represent only 8 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, state grants, zoning permits and inspection fees, cell tower and franchise fees, and charges for emergency medical services provided by the fire department.

General receipts represent 92 percent of the Township's total receipts, and of this amount 52 percent are property and other local taxes. Sale of Bonds make up 39 percent of the general receipts. Grants and entitlements not restricted to specific programs make up 5 percent of total receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the administrative, fiscal office, and parks department. These costs represent 29 percent of the total disbursements.

Public Safety represents the costs of police and fire protection, which makes up 30 percent of the total disbursements. Public Works includes the costs for the Road & Bridge Fund as well as the lighting districts. The Capital Outlay includes large equipment purchases, building improvements, and any large projects completed by various departments, which makes up 19 percent of the total disbursements.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for the protection and safety of the residents, both police and fire, which account for \$6,032,397, or 30 percent, of all governmental disbursements, respectively. General Government also represents a significant cost, approximately 29 percent. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipts (Disbursements) 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 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$5,856,808	(\$5,525,756)	\$2,896,968	(\$2,515,069)
Public Safety	6,032,397	(5,095,211)	5,180,622	(4,245,617)
Public Works	1,208,982	(440,511)	1,038,999	(262,404)
Health	56,390	(48,411)	26,892	1,272
Conservation-Recreation	214,773	(193,766)	184,921	(184,921)
Capital Outlay	3,848,117	(3,848,117)	1,921,759	(1,621,748)
Debt Service:				
Principal Retirement	2,468,141	(2,468,141)	2,533,141	(2,533,141)
Interest and Fiscal Charges	449,277	(449,277)	304,699	(304,699)
Total Expenses	\$20,134,885	(\$18,069,190)	\$14,088,001	(\$11,666,327)

The dependence upon property tax and intergovernmental receipts is apparent as over 90 percent of governmental activities are supported through these general receipts.

The Government's Funds

Information about the Township's major funds starts on page 13. These funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts of \$16,090,368. Total disbursements were \$20,134,885.

The fund balance of the General Fund increased \$782,694 from the prior year, primarily due to an increase in intergovernmental receipts, increase in license, permits, and fees, and other taxes received (JEDD revenues).

General Fund Budgeting Highlights

The Township'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.

The General Fund's final disbursements were budgeted at \$1,705,348 while the actual disbursements came in at \$1,242,523, which put the Township under budget by 27 percent. The disbursements were less in all categories with Conservation-Recreation, Capital Outlay and General Government disbursements having the most significant variance. The General Fund's final receipts were budgeted at \$2,195,600 while the actual receipts came in higher at \$2,581,818. The receipts were higher than budgeted due to additional property and other local taxes, and intergovernmental revenue received.

Capital Assets and Debt Administration

Capital Assets

The Township maintains inventory records of the Township's capital equipment and performs annual updates. The Township does not report non-cash assets on the financial statements.

Debt

At December 31, 2008, the Township's outstanding debt totaled \$12,658,142 issued for various reasons. For further information regarding the Government's debt, refer to Note 10 to the basic financial statements.

- \$2,045,000 Bond 747/Princeton Intersection
- \$1,620,000 Bond Fire Station #3
- \$1,035,000 Bond Road Garage
- \$760,000 Woodland View Park
- \$223,142 BAN Parkland Acquisition - 7 Yr. Note (Wilhemina)
- \$3,135,000 Bond Kyles Station/State Route 747 Intersection
- \$305,000 Bond Salt Storage Facility
- \$3,535,000 Bond Fire Station #1

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on local government funds and levies. The Township has eleven Residential Incentive Districts and one Tax Incremental Financing District to assist with capital improvement projects. The Township also has the JEDD income tax, which will also help to fund necessary projects to improve the Township. The Township is financially sound with sufficient reserves set aside to aid in emergency expenditure needs.

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 Township's finances and to reflect the Township'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 Pam Quinlisk, Fiscal Officer, Liberty Township, 6400 Princeton Road, Liberty Township, Ohio 45011.

Liberty Township
Butler County, Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,582,499</u>
Net Assets	
Restricted for:	
Capital Projects	\$6,669,677
Debt Service	17,934
Public Safety	6,587,427
Public Works	1,561,624
Other Purposes	157,870
Unrestricted	<u>3,587,967</u>
Total Net Assets	<u>\$18,582,499</u>

Liberty Township
Butler County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2008

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$5,856,808	\$331,052	\$0	\$0	(\$5,525,756)
Public Safety	6,032,397	232,633	704,553	0	(5,095,211)
Public Works	1,208,982	383,854	384,617	0	(440,511)
Health	56,390	7,979	0	0	(48,411)
Conservation-Recreation	214,773	21,007	0	0	(193,766)
Capital Outlay	3,848,117	0	0	0	(3,848,117)
Debt Service:					
Principal Retirement	2,468,141	0	0	0	(2,468,141)
Interest and Fiscal Charges	449,277	0	0	0	(449,277)
Total	\$20,134,885	\$976,525	\$1,089,170	\$0	(\$18,069,190)
General Receipts					
Property and Other Local Taxes Levied for:					
General Purposes					\$5,866,371
Public Safety					5,336,700
Public Works					706,747
Grants and Entitlements not Restricted to Specific Programs					1,051,177
Sale of Bonds					8,929,180
Earnings on Investments					559,736
Miscellaneous					503,942
<i>Total General Receipts</i>					<u>22,953,853</u>
Increase in Net Assets					4,884,663
<i>Net Assets at Beginning of Year</i>					<u>13,697,836</u>
<i>Net Assets at End of Year</i>					<u><u>\$18,582,499</u></u>

Liberty Township
Butler County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$3,587,967</u>	<u>\$3,827,314</u>	<u>\$2,120,062</u>	<u>\$9,047,156</u>	<u>\$18,582,499</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$27,127	\$448,847	\$0	\$6,359	\$482,333
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	3,560,840	0	0	0	3,560,840
Special Revenue Funds	0	3,378,467	2,120,062	2,356,496	7,855,025
Debt Service Fund	0	0	0	17,934	17,934
Capital Projects Funds	0	0	0	6,666,367	6,666,367
<i>Total Fund Balances</i>	<u>\$3,587,967</u>	<u>\$3,827,314</u>	<u>\$2,120,062</u>	<u>\$9,047,156</u>	<u>\$18,582,499</u>

Liberty Township
Butler County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$722,006	\$3,810,085	\$1,526,615	\$5,851,112	\$11,909,818
Charges for Services	0	0	0	245,690	245,690
Licenses, Permits and Fees	151,956	0	7,950	172,195	332,101
Fines and Forfeitures	14,880	0	0	0	14,880
Intergovernmental	1,051,177	505,561	198,992	384,617	2,140,347
Special Assessments	0	0	0	383,854	383,854
Earnings on Investments	546,812	0	0	12,924	559,736
Miscellaneous	94,987	406,158	0	2,797	503,942
Total Receipts	2,581,818	4,721,804	1,733,557	7,053,189	16,090,368
Disbursements					
Current:					
General Government	947,454	0	0	4,909,354	5,856,808
Public Safety	0	4,082,910	1,805,197	144,290	6,032,397
Public Works	0	0	0	1,208,982	1,208,982
Health	18,247	0	0	38,143	56,390
Conservation-Recreation	214,192	0	0	581	214,773
Capital Outlay	35,503	537,645	31,600	3,243,369	3,848,117
Debt Service:					
Principal Retirement	0	0	0	2,468,141	2,468,141
Interest and Fiscal Charges	0	0	0	449,277	449,277
Total Disbursements	1,215,396	4,620,555	1,836,797	12,462,137	20,134,885
Excess of Receipts Over (Under) Disbursements	1,366,422	101,249	(103,240)	(5,408,948)	(4,044,517)
Other Financing Sources (Uses)					
Sale of Bonds	0	0	0	8,929,180	8,929,180
Sale of Notes	0	0	0	0	0
Transfers In	0	0	0	860,379	860,379
Transfers Out	(583,728)	(214,120)	0	(62,531)	(860,379)
Advances In	31,000	0	0	31,000	62,000
Advances Out	(31,000)	0	0	(31,000)	(62,000)
Total Other Financing Sources (Uses)	(583,728)	(214,120)	0	9,727,028	8,929,180
Net Change in Fund Balances	782,694	(112,871)	(103,240)	4,318,080	4,884,663
Fund Balances at Beginning of Year	2,805,273	3,940,185	2,223,302	4,729,076	13,697,836
Fund Balances at End of Year	\$3,587,967	\$3,827,314	\$2,120,062	\$9,047,156	\$18,582,499

Liberty Township
Butler County, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2008

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$13,108</u>
Net Assets	
Other Purposes	<u>\$13,108</u>

Liberty Township
Butler County, Ohio
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2008

	<u>Private Purpose Trust</u>
Additions	
Interest	\$171
Deductions	
	<u>0</u>
Change in Net Assets	171
Net Assets at Beginning of Year	<u>12,937</u>
Net Assets at End of Year	<u><u>\$13,108</u></u>

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$645,200	\$645,200	\$722,006	\$76,806
Licenses, Permits and Fees	145,000	145,000	151,956	6,956
Fines and Forfeitures	20,000	20,000	14,880	(5,120)
Intergovernmental	743,400	743,400	1,051,177	307,777
Earnings on Investments	550,000	550,000	546,812	(3,188)
Miscellaneous	92,000	92,000	94,987	2,987
<i>Total Receipts</i>	<u>2,195,600</u>	<u>2,195,600</u>	<u>2,581,818</u>	<u>386,218</u>
Disbursements				
Current:				
General Government	1,167,948	1,168,948	951,994	216,954
Health	20,000	19,000	18,247	753
Conservation-Recreation	330,900	330,900	214,192	116,708
Capital Outlay	186,500	186,500	58,090	128,410
<i>Total Disbursements</i>	<u>1,705,348</u>	<u>1,705,348</u>	<u>1,242,523</u>	<u>462,825</u>
<i>Excess of Receipts Over Disbursements</i>	490,252	490,252	1,339,295	849,043
Other Financing Uses				
Transfers Out	(575,500)	(583,758)	(583,728)	30
Advances In	0	0	31,000	31,000
Advances Out	0	0	(31,000)	(31,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(575,500)</u>	<u>(583,758)</u>	<u>(583,728)</u>	<u>30</u>
<i>Net Change in Fund Balance</i>	(85,248)	(93,506)	755,567	849,073
<i>Fund Balance at Beginning of Year</i>	2,706,293	2,706,293	2,706,293	0
Prior Year Encumbrances Appropriated	98,980	98,980	98,980	0
<i>Fund Balance at End of Year</i>	<u>\$2,720,025</u>	<u>\$2,711,767</u>	<u>\$3,560,840</u>	<u>\$849,073</u>

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$4,351,000	\$4,351,000	\$3,810,085	(\$540,915)
Intergovernmental	510,000	510,000	505,561	(4,439)
Miscellaneous	15,000	15,000	406,158	391,158
<i>Total Receipts</i>	<u>4,876,000</u>	<u>4,876,000</u>	<u>4,721,804</u>	<u>(154,196)</u>
Disbursements				
Current:				
Public Safety	4,557,867	4,592,867	4,131,162	461,705
Capital Outlay	640,637	979,637	938,241	41,396
<i>Total Disbursements</i>	<u>5,198,504</u>	<u>5,572,504</u>	<u>5,069,403</u>	<u>503,101</u>
<i>Excess of Receipts Under Disbursements</i>	(322,504)	(696,504)	(347,599)	348,905
Other Financing Uses				
Transfers Out	(150,765)	(214,120)	(214,120)	0
<i>Net Change in Fund Balance</i>	(473,269)	(910,624)	(561,719)	348,905
<i>Fund Balance at Beginning of Year</i>	3,559,586	3,559,586	3,559,586	0
Prior Year Encumbrances Appropriated	380,599	380,599	380,599	0
<i>Fund Balance at End of Year</i>	<u>\$3,466,916</u>	<u>\$3,029,561</u>	<u>\$3,378,466</u>	<u>\$348,905</u>

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$1,534,000	\$1,534,000	\$1,526,615	(\$7,385)
Licenses, Permits and Fees	0	0	7,950	7,950
Intergovernmental	205,000	205,000	198,992	(6,008)
<i>Total Receipts</i>	<u>1,739,000</u>	<u>1,739,000</u>	<u>1,733,557</u>	<u>(5,443)</u>
Disbursements				
Current:				
Public Safety	1,692,940	1,822,940	1,805,197	17,743
Capital Outlay	35,000	35,000	31,600	3,400
<i>Total Disbursements</i>	<u>1,727,940</u>	<u>1,857,940</u>	<u>1,836,797</u>	<u>21,143</u>
<i>Net Change in Fund Balance</i>	11,060	(118,940)	(103,240)	15,700
<i>Fund Balance at Beginning of Year</i>	2,221,962	2,221,962	2,221,962	0
Prior Year Encumbrances Appropriated	1,340	1,340	1,340	0
<i>Fund Balance at End of Year</i>	<u><u>\$2,234,362</u></u>	<u><u>\$2,104,362</u></u>	<u><u>\$2,120,062</u></u>	<u><u>\$15,700</u></u>

Note 1 – Reporting Entity

Liberty Township, Butler County, Ohio, is a body politic and corporate established 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 Township Fiscal Officer.

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

A. 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, and cemetery maintenance. The Township contracts with the Butler County Sheriff's Office for police protection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles (see Note 7).

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, 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. Following are the more significant of the Township's accounting policies.

A. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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, except for fiduciary funds.

The statement of net assets presents the cash balances 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 is self-financing on a modified cash basis or draws from the Township's general receipts.

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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. 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.

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 funds are the General Fund, Fire Fund, and Police Fund. The Road and Bridge Fund plays an integral role in the governmental funds, however it does not fall under the parameters of a major governmental fund for the Township. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the Township for any purpose provided it is expended and transferred according to the general laws of Ohio. The Fire Fund and the Police Fund are Public Safety funds, which have a levied tax for maintaining services. The Road and Bridge Fund also has a levied tax and also receives various other resources to maintain the Township's roads.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust funds were established for memorial purposes by former residents who are buried at the Township's Spring Hill Cemetery.

Note 2 – Summary of Significant Accounting Policies (continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township does not have any agency funds.

C. 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.

D. Budgetary Process

All 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 Fiscal Officer. 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 certificate of estimated resources in effect at the time final appropriations were passed by the Township Trustees.

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 Trustees during the year.

E. 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 as Pooled Cash and Cash Equivalents."

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.

Note 2 – Summary of Significant Accounting Policies (continued)

During 2008, the Township invested in nonnegotiable certificates of deposit, and U.S. Government Securities, which consisted of Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Discount Notes, and First American Treasury Money Market Fund. The nonnegotiable certificates of deposit are reported at cost. The Township's U.S. Government Securities investment is recorded at the amount reported by RBC Capital Markets on December 31, 2008.

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 2008 was \$546,812, which includes \$477,932 assigned from other Township funds.

F. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits. The Township pays both the employer and employee portion of the Administrator's pension benefits as approved by the Township Trustees.

G. Fund Balance Reserves

The Township reserves any portion of fund balance 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 have been established for encumbrances.

H. Interfund Transactions

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 interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. 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.

K. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

L. 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 maintaining roads and bridges, maintaining fire and life squad services, and maintaining police services. All levied funds are restricted in their expenditures, in that they can only be used for the operations of the purpose they were voted for. 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.

Note 3 – 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 – Budget Basis presented for the General, Fire and Police Funds 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 outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General, Fire and Police fund.

Net Change in Fund Balance

	General	Fire	Police
Modified Cash Basis	\$782,694	(\$112,871)	(\$103,240)
Adjustment for Encumbrances	(27,127)	(448,848)	0
Budget Basis	\$755,567	(\$561,719)	(\$103,240)

Note 4 – 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 withdrawable 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.

Note 4 – Deposits and Investments (continued)

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;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

At year-end, the Township had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

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, \$6,703,909 of the Township's bank balance of \$6,803,909 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 105 percent of the deposits being secured.

Liberty Township, Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 4 – Deposits and Investments (continued)

Investments

As of December 31, 2008, the Township had the following investments:

Title	Carrying Value	< 1 yr
Federal Home Loan Bank Notes	\$ 3,872,424	\$ 3,872,424
Federal Home Loan Mortgage Corporation Notes	536,773	536,773
Federal National Mortgage Association Notes	1,876,281	1,876,281
First American Treasury Money Market Fund	39,302	39,302
	\$ 6,324,780	\$ 6,324,780

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk – The Federal Home Loan Bank Notes and the Federal National Mortgage Association Notes carry a rating of Aaa by Moody's. The Federal National Mortgage Association Notes and Federal Home Loan Mortgage Corporation Discount Notes earn the highest credit ratings for short-term investments from Moody's (Aaa). The Money Market Fund carries a rating of AAA/Aaa by Standard and Poor's, and Moody's. Ohio law requires that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of Credit Risk – The Township places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The Township's investments in The Federal Home Loan Bank Notes, The Federal Home Loan Mortgage Corporation Discount Notes, and The Federal National Mortgage Association Notes represent 61 percent, 8 percent and 30 percent, respectively, of the Township's total investments.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intend to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007 are levied after October 1, 2008, and are collected in 2009 with real property taxes.

Liberty Township, Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 5 – Property Taxes (continued)

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was \$11.68 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$749,600,630
Agricultural	13,697,210
Commercial/Industrial/Mineral	55,264,760
Public Utility Property	
Real	91,510
Personal	13,166,570
Tangible Personal Property	5,445,868
Total Assessed Value	\$837,266,548

Note 6 – Interfund Receivables/Payables

There were no interfund balances as of December 31, 2008.

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 member's deductibles. Information provided in this note is the latest information available.

The coverage provided is as follows:

Type of Coverage	Amount of Coverage
Legal Liability	\$4,000,000 per occurrence, \$0 deductible
Automobile Liability	\$4,000,000 per occurrence, \$0 deductible
Wrongful Acts	\$4,000,000 per occurrence, \$1,000 deductible
Automobile Physical Damage	Various
Property	Various

Note 7 – Risk Management (continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year.

For occurrences on or after January 1, 2006, OTARMA retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contribution to APEEP. APEEP reinsures claim exceeding \$350,000, and provides up to \$2,650,000 per claim and \$10,000,000 in aggregate per year.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

Property Coverage

Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined OTARMA members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

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 OTARMA member.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$ 40,737,740	\$ 43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	\$ <u>27,755,922</u>	\$ <u>29,852,866</u>

At December 31, 2008 and 2007, respectively, casualty coverage liabilities noted above include approximately \$10.9 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$65,380. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Note 7 – Risk Management (continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2006	\$48,992
2007	\$32,086
2008	\$32,690

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, 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 pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Note 8 – Defined Benefit Pension Plan (continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The Township's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Township's contribution was 17.4 percent of covered payroll.

The Township's required contributions for pension obligations to the traditional pension and combined plans for the year ended December 31, 2008, 2007, and 2006 were \$89,727, \$78,007, and \$97,675, respectively. The full amount has been contributed for 2008, 2007 and 2006. Contributions to the member-directed plan for 2008 were \$2,933 made by the Township and \$2,095 made by plan members.

B. Ohio Police and Fire Pension Fund

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The Township's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the Township's contributions equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The Township's contributions to OP&F for firefighters were \$268,473 for the year ended December 31, 2008, \$212,241 for the year ended December 31, 2007, and \$168,007 for the year ended December 31, 2006. The full amount has been contributed for 2008, 2007 and 2006.

Note 9 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in OPERS' financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional pension and combined plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

Note 9 – Postemployment Benefits (continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$89,727, \$51,382, and \$47,776, respectively; 100 percent has been contributed for 2008, 2007, and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 410(h) account within the defined benefit plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Liberty Township, Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 9 – Postemployment Benefits (continued)

The Township's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$105,055 for the year ended December 31, 2008, \$82,977 for the year ended December 31, 2007, and \$80,147 for the year ended December 31, 2006. The full amount has been contributed for 2008, 2007, and 2006.

Note 10 – Debt

A summary of the Township's debt activity for the year ended December 31, 2008, follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance 12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/08</u>	<u>Due in one year</u>
<i>General Obligation Bonds</i>						
Road Garage	4.20%	\$ 1,100,000	\$ -	\$ 65,000	\$ 1,035,000	\$ 65,000
Fire Station #3	3.00%	1,700,000	-	80,000	1,620,000	80,000
Woodland View Park	4.00%	840,000	-	80,000	760,000	80,000
747/Princeton Intersection	4.46%	-	2,045,000	-	2,045,000	-
Kyles Station/St Rt. 747 Intersection	3.00%	-	3,135,000	-	3,135,000	-
Salt Storage Facility	3.00%	-	305,000	-	305,000	10,000
Fire Station #1	3.00%	-	3,535,000	-	3,535,000	125,000
Total General Obligation Bonds		<u>3,640,000</u>	<u>9,020,000</u>	<u>225,000</u>	<u>12,435,000</u>	<u>360,000</u>
<i>Bond Anticipation Notes</i>						
747/Princeton Intersection	4.46%	2,020,000	-	2,020,000	-	-
Parkland Acquisition - Wilhemina 7 yr note	6.00%	<u>446,283</u>	-	<u>223,141</u>	<u>223,142</u>	<u>223,142</u>
Total Bond Anticipation Notes		<u>2,466,283</u>	-	<u>2,243,141</u>	<u>223,142</u>	<u>223,142</u>
Total Governmental Activities		<u>\$ 6,106,283</u>	<u>\$9,020,000</u>	<u>\$2,468,141</u>	<u>\$12,658,142</u>	<u>\$583,142</u>

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements for the general obligation bonds:

G.O. Bonds		
Year	Principal	Interest
2009	\$360,000	\$497,041
2010	560,000	484,196
2011	570,000	464,801
2012	595,000	443,955
2013	620,000	421,680
2014 - 2018	3,270,000	1,729,223
2019 - 2023	3,225,000	1,057,423
2024 - 2028	2,870,000	438,040
2029 - 2033	<u>365,000</u>	<u>15,512</u>
Totals	<u>\$12,435,000</u>	<u>\$5,551,871</u>

The bond anticipation note is backed by the full faith and credit of the Township and matures within one year

Liberty Township, Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 10 – Debt (continued)

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008, were an overall debt margin of \$75,363,603 and an unvoted debt margin of \$33,500,275.

Note 11 – Interfund Transfers

During 2008 the following transfers were made:

		<u>Transfers To</u>
		Other Governmental
<u>Transfers From</u>	General	\$583,728
	Fire	214,120
	Other	
	Governmental	<u>62,531</u>
	Total	<u><u>\$860,379</u></u>

Transfers From/To Other Funds

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to use unrestricted receipts collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers to the Other Governmental Funds are related to the transfer of receipts for the allocation of funds to finance and construct Firestation #3 and Firestation #1 as well as the allocation of receipts for the principal and interest payments for required debt service payments.

**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**



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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated December 17, 2009, wherein we noted the Township followed the modified cash accounting basis. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

CERTIFIED PUBLIC ACCOUNTANTS

4705 Lake Forest Drive
Cincinnati, Ohio 45242
513/483.6699 Fax: 513.483.6690
800/378.8606



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

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

A handwritten signature in black ink, appearing to be the initials 'CSA'.

December 17, 2009

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008**

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

We noted no findings during our testing.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2008

There were no findings for the year ended December 31, 2007.



Mary Taylor, CPA
Auditor of State

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
APRIL 13, 2010**