



**LIBERTY TOWNSHIP
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 30, 2005



Mary Taylor, CPA
Auditor of State

**LIBERTY TOWNSHIP
SENECA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Seneca County
6074 West Main Street, P.O. Box 215
Kansas, Ohio 44841-0215

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, Seneca County, Ohio (the Township), as of and for the year ended December 31, 2005, 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As 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, Seneca County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, and Fire District Funds for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, 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 May 2, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

May 2, 2007

**LIBERTY TOWNSHIP
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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, 2005, 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 2005 are as follows:

- Net assets of governmental activities increased \$20,126 or 34 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 a large amount of estate tax in 2005.
- The Township's general receipts are primarily property taxes and grants and entitlements. These receipts represent respectively 68 and 32 percent of the total general receipts. Property tax receipts for 2005 changed very little compared to 2004 as development within the Township stays consistent each year.
- The Township's major expenses are public works which consists mainly of repair and maintenance to the roadways. Public works represent 70 percent of the total expenditures for governmental activity during the year. An Ohio Public Works Commission Issue 2 grant provided funds for road paving in 2005.

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.

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

**LIBERTY TOWNSHIP
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances 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 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 nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we report governmental activities which include the Township's basic services such as roads, fire, lighting, cemetery, and parks. State grants and entitlements 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 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 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 General Fund, Gasoline Tax Fund, Road and Bridge Fund and Fire District 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
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$79,896	\$59,770
Total Assets	\$79,896	\$59,770
 Net Assets		
Restricted for:		
Other Purposes	44,645	52,457
Unrestricted	35,251	7,313
Total Net Assets	\$79,896	\$59,770

As mentioned previously, net assets of governmental activities increased \$ 20,126 or 34 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- General Fund received a large amount of estate tax. Estate tax is unpredictable and varies widely from year to year.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, 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.

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$2,970
Operating Grants and Contributions	98,343
Capital Grants and Contributions	25,254
Total Program Receipts	126,567
General Receipts:	
Property and Other Local Taxes	127,879
Grants and Entitlements Not Restricted to Specific Programs	59,251
Earnings on Investments	157
Sale of Capital Asset	200
Miscellaneous	22
Total General Receipts	187,509
Total Receipts	314,076
Disbursements:	
General Government	27,715
Public Safety	32,694
Health	8,520
Conservation-Recreation	1,391
Public Works	205,483
Capital Outlay	18,147
Total Disbursements	293,950
Increase in Net Assets	20,126
Net Assets, January 1, 2005	59,770
Net Assets, December 31, 2005	\$79,896

Program receipts represent 40 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, homestead and rollback grants, township levied motor vehicle license fees, special lighting assessment and Issue 2 funds.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

General receipts represent 60 percent of the Township's total receipts, and of this amount, over 68 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (32 percent). In 2005 estate tax was 55 percent of the state grants and entitlements and is a completely unpredictable source of income from year to year. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the board of trustees, fiscal officer, as well as internal services such as payroll and purchasing.

Public safety is the costs of fire protection. Health service is the contribution to the employee health insurance premiums and cemetery maintenance; Conservation-Recreation are the costs of maintaining the park; Public Works is the cost of maintaining the roads; and Capital Outlay is the cost of road improvements.

Governmental Activities

If you look at the Statement of Activities 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 public works and public safety, which account for 70 and 11 percent of all governmental disbursements, respectively. General Government also represents a significant cost, about 9 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 Township 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. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been posted. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$27,715	\$27,715
Public Safety	32,694	29,308
Health	8,520	7,720
Conservation-Recreation	1,391	1,391
Public Works	205,483	83,102
Capital Outlay	18,147	18,147
Total Expenses	\$293,950	\$167,383

The dependence upon property tax receipts is apparent as 4 percent of governmental activities are supported through these general receipts.

**LIBERTY TOWNSHIP
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

The Township's Funds

Total governmental funds had receipts of \$314,076 and disbursements of \$293,950. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$27,938 as the result of estate tax receipts of \$32,499 and sale of a used computer for \$200.

General Fund receipts without estate tax and capital asset sale were less than disbursements by \$4,961 indicating that the General Fund is in a deficit spending situation. The increase in net assets in the General Fund results in a carryover of estate tax receipts from 2005 to 2006 and will help provide funds for 2006 expenses.

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 and disbursements. The General Fund is a significant budgeted fund.

During 2005, the Township amended its General Fund budget three times to reflect estate tax receipts. Final budgeted receipts were above original budgeted receipts due to unexpected additional tax receipts. The difference between final budgeted receipts and actual receipts were insignificant.

Final disbursements were budgeted at \$80,862 while actual disbursements were \$49,756. Although receipts and appropriations were increased as the fund receipts allowed, expenditures were increased only as needed. The Township kept spending very close to originally budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$ 27,938 for 2005

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying basic financial statements. The Township keeps an Inventory listing of assets specifying details of assets currently in use by the Township.

Debt

The Township currently has no debt as of December 31, 2005.

Current Issues

The challenge for all Townships 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 local industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely and decreases are more likely. At this time we await news from the state on how our receipts will be affected.

**LIBERTY TOWNSHIP
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Contacting the Township's Financial Management

This financial report is designed to provide our citizens and taxpayers 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 Phyllis E. Hammer, Fiscal Officer, P.O. Box 215, Kansas OH 44841-0215.

**LIBERTY TOWNSHIP
SENECA COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2005*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$79,896</u>
<i>Total Assets</i>	<u><u>\$79,896</u></u>
Net Assets	
Restricted for:	
Other Purposes	44,645
Unrestricted	<u>35,251</u>
<i>Total Net Assets</i>	<u><u>\$79,896</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
SENECA COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
General Government	\$27,715			(\$27,715)	
Public Safety	32,694		3,386	(29,308)	
Public Works	205,483	2,170	94,957	(83,102)	
Health	8,520	800	25,254	(7,720)	
Conservation-Recreation	1,391			(1,391)	
Capital Outlay	18,147			(18,147)	
<i>Total Governmental Activities</i>	<u>293,950</u>	<u>2,970</u>	<u>98,343</u>	<u>25,254</u>	<u>(167,383)</u>
 General Receipts					
Property Taxes				127,879	
Grants and Entitlements				59,251	
Sale of Capital Assets				200	
Earnings on Investments				157	
Miscellaneous				22	
<i>Total General Receipts</i>				187,509	
Change in Net Assets				20,126	
<i>Net Assets Beginning of Year</i>				59,770	
<i>Net Assets End of Year</i>				\$79,896	

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
SENECA COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$35,251	\$14,158	\$14,978	\$7,891	\$7,618	\$79,896
<i>Total Assets</i>	<u>\$35,251</u>	<u>\$14,158</u>	<u>\$14,978</u>	<u>\$7,891</u>	<u>\$7,618</u>	<u>\$79,896</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	\$35,251					35,251
Special Revenue Funds		\$14,158	\$14,978	\$7,891	\$7,618	44,645
<i>Total Fund Balances</i>	<u>\$35,251</u>	<u>\$14,158</u>	<u>\$14,978</u>	<u>\$7,891</u>	<u>\$7,618</u>	<u>\$79,896</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
SENECA COUNTY**

*Statement of Modified Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$18,112		\$68,798	\$30,612	\$10,357	\$127,879
Charges for Services					800	800
Intergovernmental	59,251	76,284	7,107	3,386	36,820	182,848
Special Assessments					2,170	2,170
Earnings on Investments	109	35			13	157
Miscellaneous	22					22
<i>Total Receipts</i>	<u>77,494</u>	<u>76,319</u>	<u>75,905</u>	<u>33,998</u>	<u>50,160</u>	<u>313,876</u>
Disbursements						
Current:						
General Government	27,715					27,715
Public Safety				32,694		32,694
Public Works	12,510	78,593	84,181		30,199	205,483
Health	8,140				380	8,520
Conservation-Recreation	1,391					1,391
Capital Outlay					18,147	18,147
<i>Total Disbursements</i>	<u>49,756</u>	<u>78,593</u>	<u>84,181</u>	<u>32,694</u>	<u>48,726</u>	<u>293,950</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>27,738</u>	<u>(2,274)</u>	<u>(8,276)</u>	<u>1,304</u>	<u>1,434</u>	<u>19,926</u>
Other Financing Sources						
Sale of Capital Assets	200					200
<i>Net Change in Fund Balances</i>	27,938	(2,274)	(8,276)	1,304	1,434	20,126
<i>Fund Balances Beginning of Year</i>	<u>7,313</u>	<u>16,432</u>	<u>23,254</u>	<u>6,587</u>	<u>6,184</u>	<u>59,770</u>
<i>Fund Balances End of Year</i>	<u>\$35,251</u>	<u>\$14,158</u>	<u>\$14,978</u>	<u>\$7,891</u>	<u>\$7,618</u>	<u>\$79,896</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
SENECA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$11,850	\$16,750	\$18,112	\$1,362
Intergovernmental	24,025	56,524	59,251	2,727
Earnings on Investments	275	275	109	(166)
Miscellaneous	4,900		22	22
<i>Total receipts</i>	<u>41,050</u>	<u>73,549</u>	<u>77,494</u>	<u>3,945</u>
Disbursements				
Current:				
General Government	28,578	57,341	27,715	29,626
Public Works	10,500	12,883	12,510	373
Health	8,860	8,860	8,140	720
Conservation-Recreation	425	1,778	1,391	387
<i>Total Disbursements</i>	<u>48,363</u>	<u>80,862</u>	<u>49,756</u>	<u>31,106</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,313)</u>	<u>(7,313)</u>	<u>27,738</u>	<u>35,051</u>
Other Financing Sources				
Sale of Capital Assets			200	200
<i>Net Change in Fund Balance</i>	<u>(7,313)</u>	<u>(7,313)</u>	<u>27,938</u>	<u>35,251</u>
<i>Fund Balance Beginning of Year</i>	<u>7,115</u>	<u>7,115</u>	<u>7,115</u>	
Prior Year Encumbrances Appropriated	198	198	198	
<i>Fund Balance End of Year</i>	<u><u>7,115</u></u>	<u><u>7,115</u></u>	<u><u>\$35,251</u></u>	<u><u>\$35,251</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
SENECA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$78,000	\$78,000	\$76,284	(\$1,716)
Earnings on Investments	50	50	35	(15)
<i>Total receipts</i>	<u>78,050</u>	<u>78,050</u>	<u>76,319</u>	<u>(1,731)</u>
Disbursements				
Current:				
Public Works	<u>94,481</u>	<u>94,481</u>	<u>78,593</u>	<u>15,888</u>
<i>Net Change in Fund Balance</i>	(16,431)	(16,431)	(2,274)	14,157
<i>Fund Balance Beginning of Year</i>	<u>16,432</u>	<u>16,432</u>	<u>16,432</u>	
<i>Fund Balance End of Year</i>	<u><u>\$1</u></u>	<u><u>\$1</u></u>	<u><u>\$14,158</u></u>	<u><u>\$14,157</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
SENECA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$61,500	\$63,200	\$68,798	\$5,598
Intergovernmental	6,800	6,800	7,107	307
Other	1,700			
<i>Total receipts</i>	<u>70,000</u>	<u>70,000</u>	<u>75,905</u>	<u>5,905</u>
Disbursements				
Current:				
Public Works	<u>93,254</u>	<u>93,254</u>	<u>84,181</u>	<u>9,073</u>
<i>Net Change in Fund Balance</i>	(23,254)	(23,254)	(8,276)	14,978
<i>Fund Balance Beginning of Year</i>	<u>22,248</u>	<u>22,248</u>	<u>22,248</u>	
Prior Year Encumbrances Appropriated	<u>1,006</u>	<u>1,006</u>	<u>1,006</u>	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$14,978</u></u>	<u><u>\$14,978</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
SENECA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$30,000	\$30,000	\$30,612	\$612
Intergovernmental	2,000	2,000	3,386	1,386
<i>Total receipts</i>	<u>32,000</u>	<u>32,000</u>	<u>33,998</u>	<u>1,998</u>
Disbursements				
Current:				
Public Safety	<u>33,000</u>	<u>33,000</u>	<u>32,694</u>	<u>306</u>
<i>Net Change in Fund Balance</i>	(1,000)	(1,000)	1,304	2,304
<i>Fund Balance Beginning of Year</i>	<u>6,587</u>	<u>6,587</u>	<u>6,587</u>	
<i>Fund Balance End of Year</i>	<u><u>\$5,587</u></u>	<u><u>\$5,587</u></u>	<u><u>\$7,891</u></u>	<u><u>\$2,304</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 – REPORTING ENTITY

Liberty Township, Seneca County, Ohio (the Township), 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 reporting entity is comprised of the primary government.

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, road and bridge maintenance, and cemetery maintenance services. The Township contracts with the Bascom Joint Fire District, Village of Bettsville, Kansas Community Volunteer Fire Department, Inc. and Old Fort Volunteer Fire Department to provide fire services.

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.

Based on this criteria, the Township has no component units.

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

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, 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.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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 requirements of a particular program, and receipts of interest earned on grants that are 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 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.

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. The funds of the Township are categorized as governmental.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are as follows:

1. **General Fund**

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.

2. **Gasoline Tax Fund**

The Gasoline Tax Fund receives state fuel excise taxes to pay for constructing, maintaining, and repairing Township roads.

3. **Road and Bridge Fund**

The Road and Bridge Fund received property tax monies for constructing, maintaining, and repairing Township roads and bridges.

4. **Fire District Fund**

The Fire District Fund receives property tax monies for providing fire protection within the Township.

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

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. 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.

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 expenses and liabilities) are not recorded in these financial statements.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. 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 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 certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution 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 resolution for that fund that covered the entire year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash

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 Equivalentents".

During 2005, the Township had no investments.

Interest earnings are allocated to Township's funds according to State statutes or grant requirements. Interest receipts credited to the General Fund was \$109, which includes \$48 assigned from other Township funds.

F. 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.

G. 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.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. 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.

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. Employer contributions include portions for pension benefits and for postretirement health care benefits.

J. 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 road and bridge construction, maintenance and repair, and fire protection.

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 – 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 nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

NOTE 4 – 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 and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the modified cash basis in as much as the Township cancels outstanding year end encumbrances.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS

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.

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;
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).

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS – (Continued)

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 no undeposited cash on hand.

Deposits

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 6 – 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, 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
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 – PROPERTY TAXES – (Continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was 3.1 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$12,274,120
Agriculture	7,340,550
Commercial/Industrial/Mineral	2,559,380
Public Utility Property	
Real	69,870
Personal	1,675,410
Tangible Personal Property	2,092,030
Total Assessed Value	<u>\$26,011,360</u>

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 townships 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 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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 – RISK MANAGEMENT – (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses 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 members' total insurable value. 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 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 – RISK MANAGEMENT – (Continued)

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$20,278.

The Township provides health insurance to its full-time employees through a private carrier.

NOTE 8 – 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, 2005, the members of all three plans, except those in law enforcement and 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 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$8,861, \$8,503, and \$8,167 respectively. The full amount has been contributed for 2005, 2004, and 2003.

**LIBERTY TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 – POSTEMPLOYMENT 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 Postemployment 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 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 6.3 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 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$9,527. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (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. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.



Mary Taylor, CPA

Auditor of State

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

Liberty Township
Seneca County
6074 West Main Street, P.O. Box 215
Kansas, Ohio 44841-0215

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Seneca County (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 2, 2007, where in we noted that the Township revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Liberty Township

Seneca County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*.

Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated May 2, 2007, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 2, 2007



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

SENECA 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
MAY 24, 2007**