

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
FINANCIAL STATEMENTS
December 31, 2011**



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of Liberty Township, Butler County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 30, 2012

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**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Township Trustees
Liberty Township
Butler County, Ohio

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, 2011, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

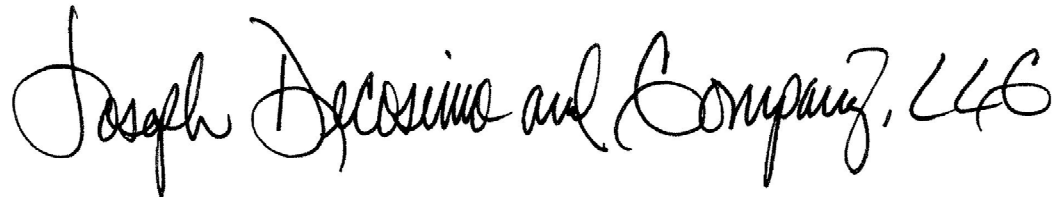
As discussed in Note 2, the Township prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2011, and the respective changes in modified cash financial position thereof and the respective budgetary comparison for the General, Fire, and Police funds thereof for the year then ended, in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. 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.

Our audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise the Township's basic financial statements. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These tables are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The tables have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the tables are fairly stated in all material respects in relation to the basic financial statements as a whole. Other than the aforementioned procedures applied to the tables, the remaining information in Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Joseph Decasino and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
June 28, 2012

Liberty Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011, 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 2011 are as follows:

A restroom was installed at Dudley Park with grant money that was applied for in 2011 and received in 2012.

The debt service for the Services Department building was re-financed, and will save the Township approximately \$7,300 per year through the end of the debt in 2020.

Received \$20,403 in recycling incentive revenue, which is an increase of approximately 7% from 2010. This revenue is used to help fund park expenditures.

A new two year contract was signed with Duke Energy Retail, which will save approximately \$80,000 on electricity for Township facilities.

The Township's bond rating was upgraded to Aa1 from Aa2 by Moody's.

The Township's general receipts are primarily property and other local taxes. These receipts represent \$16,089,560, or 77 percent, of the total cash received for governmental activities during the year.

The Township had \$18,695,573 in disbursements; only \$2,612,224 of these disbursements were offset by program specific charges for services, grants and contributions.

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 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 (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 2011, within the limitations of modified cash basis of 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 three categories: governmental, proprietary, and fiduciary.

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.

Liberty Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – Internal service funds are an accounting device to accumulate and allocate costs internally across the Township's various functions. The Township uses an internal service fund to account for its healthcare and prescription drug benefits.

The proprietary fund reports the same type of information as the government-wide statements, only in greater detail.

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 2011 compared to 2010 on a modified cash basis:

**Table 1
Net Assets**

	Governmental Activities		
	2011	2010	\$ Change
Assets			
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 19,751,374	\$ 17,588,936	\$ 2,162,438
Net Assets			
Restricted for:			
Capital Projects	\$ 5,288,074	\$ 4,827,853	\$ 460,221
Debt Service	5,579	866,813	(861,234)
Public Safety	7,442,080	5,646,977	1,795,103
Public Works	1,668,032	1,562,094	105,938
Other Purposes	121,007	121,614	(607)
Unrestricted	5,226,602	4,563,585	663,017
Total Net Assets	\$ 19,751,374	\$ 17,588,936	\$ 2,162,438

As mentioned previously, net assets of governmental activities increased \$2,162,438 or 12 percent during 2011. The increase is due to several factors. First, more Residential Incentive District (RID) revenue was received, which helps to fund projects within the Township that may not be possible without this funding mechanism. Another reason was the new levy revenue received for the Fire Fund. Also, JEDD (Joint Economic Development District) revenue increased, and Estate tax was received that is unanticipated and fluctuates each year. The net asset change in debt service was due to remaining funds from the 2010 construction of a new salt barn and fire station being transferred out of debt service to the appropriate funds for capital purchases associated with the new construction.

Liberty Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2 reflects the changes in net assets on a modified cash basis in 2011 and 2010.

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010
Receipts		
Program Receipts:		
Charges for Services	\$ 1,179,850	\$ 1,175,813
Operating Grants and Contributions	1,432,374	1,329,144
Total Program Receipts	<u>2,612,224</u>	<u>2,504,957</u>
General Receipts:		
Property and Other Local Taxes	16,089,560	17,218,229
Grants and Entitlements Not Restricted to Specific Programs	1,003,430	730,459
Sale of Bonds	909,000	-
Earnings on Investments	71,634	62,651
Miscellaneous	172,163	157,484
Total General Receipts	<u>18,245,787</u>	<u>18,168,823</u>
Total Receipts	<u>20,858,011</u>	<u>20,673,780</u>
Disbursements		
General Government	7,788,292	8,434,930
Public Safety	6,687,615	6,321,034
Public Works	1,438,754	1,443,205
Health	28,251	25,162
Conservation-Recreation	259,786	233,145
Capital Outlay	552,276	1,153,026
Debt Service		
Principal Retirement	578,000	560,000
Payment to Bond Escrow Agent	900,000	-
Interest and Fiscal Charges	462,599	484,196
Total Disbursements	<u>18,695,573</u>	<u>18,654,698</u>
Increase in Net Assets	2,162,438	2,019,082
Net Assets at Beginning of Year	17,588,936	15,569,854
Net Assets at End of Year	<u>\$ 19,751,374</u>	<u>\$ 17,588,936</u>

Program receipts represent only 13 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.

Liberty Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

General receipts represent 87 percent of the Township's total receipts, and of this amount 77 percent are property and other local taxes. Grants and entitlements not restricted to specific programs make up 5 percent of total receipts, and include revenue from the State of Ohio (i.e. Local Government Funds, Estate Tax, Liquor and Cigarette permit fees, etc.). Other receipts are insignificant and somewhat unpredictable receipt sources.

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 Planning & Zoning department. The payments made to Lakota Local Schools for reimbursement of RID/TIF revenue is also included in this figure. These costs represent 42 percent of the total disbursements.

Public safety represents the costs of police and fire protection, which makes up 36 percent of the total disbursements. Public Works includes the costs for the Road & Bridge Fund as well as the lighting districts, and makes up 8 percent of the total disbursements. The Capital Outlay includes large equipment purchases, building improvements, and any large projects completed by various departments, which makes up 3 percent of the total disbursements. Health includes the cost to maintain the Springhill Cemetery, and the Conservation-Recreation includes the personnel and maintenance costs for all of the Township parks.

Governmental Activities

If you look at the Statement of Activities on page 11, 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 \$6,687,615 and 36 percent of all governmental disbursements, respectively. General Government also represents a significant cost, approximately 42 percent. The two 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.

Liberty Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

**Table 3
Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
General Government	\$ 7,788,292	(\$7,460,365)	\$ 8,434,930	(\$8,069,537)
Public Safety	6,687,615	(5,336,048)	6,321,034	(5,073,188)
Public Works	1,438,754	(520,380)	1,443,205	(561,719)
Health	28,251	(19,220)	25,162	(16,422)
Conservation-Recreation	259,786	(254,461)	233,145	(231,833)
Capital Outlay	552,276	(552,276)	1,153,026	(1,153,026)
Debt Service				
Principal Retirement	578,000	(578,000)	560,000	(560,000)
Payment to Bond Escrow Agent	900,000	900,000	-	-
Interest and Fiscal Charges	462,599	(462,599)	484,196	(484,196)
Total Disbursements	\$18,695,573	(\$16,083,349)	\$18,654,698	(\$16,149,921)

The dependence upon property tax and intergovernmental receipts is apparent as over 87 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 \$19,948,921. Total disbursements were \$17,795,483.

The fund balance of the General Fund increased \$733,885. This is due to the receipt of Estate Tax that fluctuates each year, and an increase in the Joint Economic Development District (JEDD) revenue. Another reason for the increase is a change in reporting. In previous years the Zoning fund was captured under 'Other Governmental Funds'; however due to system changes and the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* during 2011, the Zoning fund information is now shown under the General Fund on the financial statements.

The fund balance of the Fire Fund increased \$1,192,853. This is largely due to transfers into the Fire Fund from Fire Station #1 Debt Service of unexpended construction funds for capital expenditures related to the new Fire Station 111. There was also an increase in property tax revenue, which is due to the new levy that passed in 2010 with new collections received starting in 2011.

The fund balance of the Police Fund increased \$519,399. This is largely due to an increase in property tax revenue, which can fluctuate based on delinquency. The Township also started to receive "Charges for Services" revenue, which is related to the agreement the Township has with the Lakota Local School District regarding the cost sharing of the School Resource Officer for Lakota East High School and Freshman buildings.

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 \$1,761,207 while the actual disbursements, including encumbrances, came in at \$1,558,454, which put the Township under budget by 12 percent. The disbursements were less in all categories with general government, capital outlay and conservation-recreation having the most significant variance. The final budget for general government disbursements was higher than the original budget, which was largely due to legal expenses incurred. The General Fund's original and final receipts were budgeted at \$1,765,289 while the actual receipts came in higher at \$2,555,420. The receipts were higher than budgeted largely due to Estate tax and Undivided Local Government revenue (Intergovernmental). The Estate tax is not budgeted for, as this is a revenue source that cannot be anticipated therefore the Township does not budget for it. The Undivided Local Government revenue was budgeted very conservatively by the Board of Trustees due to the unknown changes anticipated to happen at the State level that could have had an impact on this revenue source for the Township.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2011, the Township's outstanding debt totaled \$10,946,000 issued for various reasons. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

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 Joint Economic Development District income tax, which will also help to fund necessary projects to improve the Township within the JEDD area. 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, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$19,751,374
<i>Total Assets</i>	<i>\$19,751,374</i>
 Net Assets	
Restricted for:	
Capital Projects	\$5,288,074
Debt Service	5,579
Public Safety	7,442,080
Public Works	1,668,032
Other Purposes	121,007
Unrestricted	5,226,602
<i>Total Net Assets</i>	<i>\$19,751,374</i>

The accompanying notes are an integral part of the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Current:				
General Government	\$ (7,788,292)	\$ 312,045	\$ 15,882	\$ (7,460,365)
Public Safety	(6,687,615)	331,972	1,019,595	(5,336,048)
Public Works	(1,438,754)	521,477	396,897	(520,380)
Health	(28,251)	9,031	-	(19,220)
Conservation-Recreation	(259,786)	5,325	-	(254,461)
Capital Outlay	(552,276)	-	-	(552,276)
Debt Service:				
Principal Retirement	(578,000)	-	-	(578,000)
Payment to Bond Escrow Agent	(900,000)	-	-	(900,000)
Interest and Fiscal Charges	(462,599)	-	-	(462,599)
<i>Total Governmental Activities</i>	<u>\$ (18,695,573)</u>	<u>\$ 1,179,850</u>	<u>\$ 1,432,374</u>	<u>\$ (16,083,349)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				\$ 8,824,860
Public Safety				6,294,305
Public Works				970,395
Grants and Entitlements not Restricted to Specific Programs				1,003,430
Sale of Refunding Bonds				909,000
Earnings on Investments				71,634
Miscellaneous				172,163
Total General Receipts				<u>18,245,787</u>
<i>Change in Net Assets</i>				2,162,438
<i>Net Assets Beginning of Year</i>				<u>17,588,936</u>
<i>Net Assets End of Year</i>				<u>\$ 19,751,374</u>

The accompanying notes are an integral part of the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2011

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 5,298,606	\$ 3,760,651	\$ 2,944,363	\$ 7,747,754	\$ 19,751,374
<i>Total Assets</i>	<u>\$ 5,298,606</u>	<u>\$ 3,760,651</u>	<u>\$ 2,944,363</u>	<u>\$ 7,747,754</u>	<u>\$ 19,751,374</u>
Fund Balances					
Restricted	\$ -	\$ 3,760,651	\$ 2,944,363	\$ 7,747,754	\$ 14,452,768
Committed	25,320	-	-	-	25,320
Unassigned	5,273,286	-	-	-	5,273,286
<i>Total Fund Balances</i>	<u>\$ 5,298,606</u>	<u>\$ 3,760,651</u>	<u>\$ 2,944,363</u>	<u>\$ 7,747,754</u>	<u>\$ 19,751,374</u>

The accompanying notes are an integral part of the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 1,031,766	\$ 4,200,787	\$ 2,093,689	\$ 8,763,318	\$ 16,089,560
Charges for Services	-	-	36,713	277,265	313,978
Licenses, Permits and Fees	326,753	7,903	10,091	9,031	353,778
Fines and Forfeitures	17,626	-	-	-	17,626
Intergovernmental	1,003,430	694,418	341,059	396,897	2,435,804
Special Assessments	4,674	-	-	484,470	489,144
Earnings on Investments	70,073	-	-	1,471	71,544
Miscellaneous	101,098	53,200	-	23,189	177,487
<i>Total Receipts</i>	<u>2,555,420</u>	<u>4,956,308</u>	<u>2,481,552</u>	<u>9,955,641</u>	<u>19,948,921</u>
Disbursements					
Current:					
General Government	1,133,395	-	-	6,712,392	7,845,787
Public Safety	-	4,554,544	1,925,019	168,014	6,647,577
Public Works	-	-	-	1,426,117	1,426,117
Health	18,311	-	-	9,940	28,251
Conservation-Recreation	246,577	-	-	8,299	254,876
Capital Outlay	134,851	31,389	37,134	348,902	552,276
Debt Service:					
Principal Retirement	-	-	-	578,000	578,000
Interest and Fiscal Charges	-	-	-	462,599	462,599
<i>Total Disbursements</i>	<u>1,533,134</u>	<u>4,585,933</u>	<u>1,962,153</u>	<u>9,714,263</u>	<u>17,795,483</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,022,286</u>	<u>370,375</u>	<u>519,399</u>	<u>241,378</u>	<u>2,153,438</u>
Other Financing Sources (Uses)					
Transfers In	-	969,813	-	677,774	1,647,587
Transfers Out	(288,401)	(147,335)	-	(1,211,851)	(1,647,587)
Refunding bonds	-	-	-	909,000	909,000
Payment to bond escrow agent	-	-	-	(900,000)	(900,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(288,401)</u>	<u>822,478</u>	<u>-</u>	<u>(525,077)</u>	<u>9,000</u>
<i>Net Change in Fund Balances</i>	733,885	1,192,853	519,399	(283,699)	2,162,438
<i>Fund Balances Beginning of Year, as restated (Note 3)</i>	<u>4,564,721</u>	<u>2,567,798</u>	<u>2,424,964</u>	<u>8,031,453</u>	<u>17,588,936</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,298,606</u>	<u>\$ 3,760,651</u>	<u>\$ 2,944,363</u>	<u>\$ 7,747,754</u>	<u>\$ 19,751,374</u>

The accompanying notes are an integral part of the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
December 31, 2011

	Governmental Activities
	Internal Service Fund
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ -
<i>Total Assets</i>	\$ -
 Net Assets	
Unrestricted	\$ -
<i>Total Net Assets</i>	\$ -

The accompanying notes are an integral part of the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Fund
For the Year Ended December 31, 2011

	Governmental Activities
	Internal Service Fund
Operating Receipts	
Charges for Services	\$ 766,327
<i>Total Operating Receipts</i>	766,327
Operating Disbursements	
Purchased Services	209,332
Claims	557,085
<i>Total Operating Disbursements</i>	766,417
<i>Operating Loss</i>	(90)
Non-Operating Receipts	
Earnings on Investments	90
<i>Total Non-Operating Receipts</i>	90
<i>Change in Net Assets</i>	-
<i>Net Assets Beginning of Year</i>	-
<i>Net Assets End of Year</i>	\$ -

The accompanying notes are an integral part of the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
For the Year Ended 12/31/2011

	Governmental Activities
	Internal Service Fund
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 766,327
Cash Payments to Suppliers for Goods and Services	(209,332)
Cash Payments for Employee Medical, Dental, and Life Insurance Claims	(557,085)
	(90)
Cash Flows from Investing Activities:	
Interest	90
	90
Net Cash Provided by (Used for) Operating Activities	(90)
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	\$ -
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss / Net Cash Provided by (Used for) Operating Activities	\$ (90)

The accompanying notes are an integral part of the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2011

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 13,192	\$ 5,060
<i>Total Assets</i>	<u>\$ 13,192</u>	<u>\$ 5,060</u>
Net Assets		
Held in Trust for cemetery maintenance		
Nonexpendable	\$ 5,000	\$ -
Expendable	8,192	-
Held on Behalf of employees	-	5,060
<i>Total Net Assets</i>	<u>\$ 13,192</u>	<u>\$ 5,060</u>

The accompanying notes are an integral part of the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2011

	Private Purpose Trust
Additions	
Earnings on Investments	\$ 7
<i>Total Additions</i>	7
<i>Change in Net Assets</i>	7
<i>Net Assets Beginning of Year</i>	13,185
<i>Net Assets End of Year</i>	\$ 13,192

The accompanying notes are an integral part of the basic financial statements

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 978,489	\$ 978,489	\$ 1,031,766	\$ 53,277
Licenses, Permits and Fees	257,000	257,000	326,753	69,753
Fines and Forfeitures	14,000	14,000	17,626	3,626
Intergovernmental	394,300	394,300	1,003,430	609,130
Special Assessments	5,500	5,500	4,674	(826)
Earnings on Investments	28,500	28,500	70,073	41,573
Miscellaneous	87,500	87,500	101,098	13,598
<i>Total Receipts</i>	<u>1,765,289</u>	<u>1,765,289</u>	<u>2,555,420</u>	<u>790,131</u>
Disbursements				
Current:				
General Government	1,243,670	1,275,870	1,158,575	117,295
Health	20,000	20,000	18,311	1,689
Conservation-Recreation	281,625	281,625	246,577	35,048
Capital Outlay	175,712	183,712	134,991	48,721
<i>Total Disbursements</i>	<u>1,721,007</u>	<u>1,761,207</u>	<u>1,558,454</u>	<u>202,753</u>
<i>Excess of Receipts Over Disbursements</i>	<u>44,282</u>	<u>4,082</u>	<u>996,966</u>	<u>992,884</u>
Other Financing Sources (Uses)				
Transfers Out	(344,220)	(311,220)	(288,401)	22,819
<i>Total Other Financing Sources (Uses)</i>	<u>(344,220)</u>	<u>(311,220)</u>	<u>(288,401)</u>	<u>22,819</u>
<i>Net Change in Fund Balance</i>	(299,938)	(307,138)	708,565	1,015,703
<i>Fund Balance Beginning of Year</i>	4,469,759	4,469,759	4,469,759	-
Prior Year Encumbrances Appropriated	94,962	94,962	94,962	-
<i>Fund Balance End of Year</i>	<u>\$ 4,264,783</u>	<u>\$ 4,257,583</u>	<u>\$ 5,273,286</u>	<u>\$ 1,015,703</u>

The accompanying notes are an integral part of the basic financial statements

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 4,088,632	\$ 4,088,632	\$ 4,200,787	\$ 112,155
Licenses, Permits and Fees	13,825	13,825	7,903	(5,922)
Intergovernmental	560,000	560,000	694,418	134,418
Miscellaneous	-	-	53,200	53,200
<i>Total Receipts</i>	<u>4,662,457</u>	<u>4,662,457</u>	<u>4,956,308</u>	<u>293,851</u>
Disbursements				
Current:				
Public Safety	4,701,455	4,715,455	4,558,969	156,486
Capital Outlay	50,000	50,000	40,189	9,811
<i>Total Disbursements</i>	<u>4,751,455</u>	<u>4,765,455</u>	<u>4,599,158</u>	<u>166,297</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(88,998)</u>	<u>(102,998)</u>	<u>357,150</u>	<u>460,148</u>
Other Financing Sources (Uses)				
Transfers In	-	-	969,813	969,813
Transfers Out	(147,335)	(147,335)	(147,335)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(147,335)</u>	<u>(147,335)</u>	<u>822,478</u>	<u>969,813</u>
<i>Net Change in Fund Balance</i>	<u>(236,333)</u>	<u>(250,333)</u>	<u>1,179,628</u>	<u>1,429,961</u>
<i>Fund Balance Beginning of Year</i>	<u>2,566,598</u>	<u>2,566,598</u>	<u>2,566,598</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,331,465</u>	<u>\$ 2,317,465</u>	<u>\$ 3,747,426</u>	<u>\$ 1,429,961</u>

The accompanying notes are an integral part of the basic financial statements

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,185,816	\$ 2,185,816	\$ 2,093,689	\$ (92,127)
Charges for Services	30,000	30,000	36,713	6,713
Licenses, Permits and Fees	3,500	3,500	10,091	6,591
Intergovernmental	302,000	302,000	341,059	39,059
<i>Total Receipts</i>	<u>2,521,316</u>	<u>2,521,316</u>	<u>2,481,552</u>	<u>(39,764)</u>
Disbursements				
Current:				
Public Safety	2,386,198	2,387,233	2,375,217	12,016
Capital Outlay	38,500	37,465	37,134	331
<i>Total Disbursements</i>	<u>2,424,698</u>	<u>2,424,698</u>	<u>2,412,351</u>	<u>12,347</u>
<i>Net Change in Fund Balance</i>	96,618	96,618	69,201	(27,417)
<i>Fund Balance Beginning of Year</i>	2,239,964	2,239,964	2,239,964	-
Prior Year Encumbrances Appropriated	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,521,582</u>	<u>\$ 2,521,582</u>	<u>\$ 2,494,165</u>	<u>\$ (27,417)</u>

The accompanying notes are an integral part of the basic financial statements

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.

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.

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 8).

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, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than 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 fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB pronouncements issued after November 30, 1989, to its business type activities and enterprise funds. Following are the more significant of the Township's accounting policies.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 recognized in these financial statements.

Certain financial statements have been prepared on the budgetary basis of accounting, as disclosed in Note 4.

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 activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses.

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 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. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statement. Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include cost of sales and services and administrative costs. The proprietary fund statement reports all other receipts and disbursements as nonoperating. Fiduciary funds are reported by type.

Note 2 – Summary of Significant Accounting Policies (continued)

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 divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund: This fund is the general operating fund and accounts 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.

Police Fund: This fund accounts for proceeds from property taxes and other cash receipts restricted for police department operations and protection services.

Fire Fund: This fund accounts for proceeds from property taxes and other cash receipts restricted for fire department and life squad protection and emergency services.

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 other governmental funds of the Township account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows. The Township's proprietary fund is an internal service fund. Internal service funds account for the financing of services provided by one department or agency to another department or agencies of the Township on a cost-reimbursement basis. The Township's internal service fund reports on self-insurance programs for employee medical and prescription drug benefits.

Fiduciary Funds

Fiduciary funds include 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. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for the flexible spending account available to employees.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Equity in Pooled Cash, Cash Equivalents, and Investments

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

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

During 2011, the Township invested in US Government Securities, which consisted of Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Step Bond, Federal Home Loan Mortgage Corporation Bond, United States Treasury Bills, and negotiable certificates of deposit, which are recorded at cost, and Western Asset Institutional Money Market Fund, which is recorded at the amount reported by RBC and Morgan Stanley Smith Barney on December 31, 2011.

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 2011 were \$70,073, which includes \$53,342 assigned from other Township funds.

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.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits. The Township pays both the employer and employee portion of the Administrator's pension benefits as approved by the Township Trustees.

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 is reported at inception. Lease payments are reported when paid.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for 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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions.

Enabling legislation authorizes the Township to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Township can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove

Note 2 – Summary of Significant Accounting Policies (continued)

or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

Note 3 - Change in Accounting Principle and Restatement of Fund Balance

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 3 - Change in Accounting Principle and Restatement of Fund Balance (continued)

	General	Other Governmental Funds
Fund Balance at December 31, 2010	\$4,563,585	\$8,032,589
Effect of GASB 54 Change in Fund Structure	1,136	(1,136)
Adjusted Fund Balance at December 31, 2010	\$4,564,721	\$8,031,453

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 – Budget Basis presented for the General, Fire and Police Funds are prepared on the budget 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 restricted, committed or assigned fund balance (modified cash basis).

	General	Fire	Police
Change in Fund Balance - Modified Cash Basis	\$733,885	\$1,192,853	\$ 519,399
Adjustment for Encumbrances	(25,320)	(13,225)	(450,198)
Change in Fund Balance - Budget Basis	\$708,565	\$1,179,628	\$ 69,201

Note 5 – 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 5 – 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 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;
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, Cash Equivalents and Investments" on the financial statements.

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.

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 5 – Deposits and Investments (continued)

Investments

As of December 31, 2011, the Township had the following investments:

<u>Title</u>	<u>Carrying Value</u>	<u>Matures In < 1 Year</u>
Federal Home Loan Bank Step Coupon Bond	\$ 250,165	\$ 250,165
Federal Home Loan Mortgage Corp. Coupon Bond	250,418	250,418
Federal Home Loan Bank Notes	2,530,062	2,530,062
Federal Home Loan Mortgage Corp. Notes	776,946	776,946
Federal National Mortgage Association Notes	1,981,739	1,981,739
United States Treasury Note/Bond	1,127,485	1,127,485
Bank CD's	1,965,714	1,965,714
Money Market Funds	100,480	100,480
	<u>\$8,983,009</u>	<u>\$8,983,009</u>

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 that 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 Home Loan Mortgage Corporation 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. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk.

Concentration of Credit Risk – The Township places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2011:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank Notes	28%
Federal National Mortgage Association Notes	22%
United States Treasury Note/Bond	13%
Federal Home Loan Mortgage Corp. Notes	9%

Reconciliation of Cash, Cash Equivalents, and Investments

The following is a reconciliation of cash, cash equivalents and investments to the Statement of Net Assets as of the year ended December 31, 2011.

Investments	\$ 8,983,009
Carrying amount of the Township's Deposits	<u>10,768,365</u>
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>\$19,751,374</u>

Note 6 – 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 2011 for real and public utility property taxes represent collections of the 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2011 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2011 real property taxes are collected in and intend to finance 2012.

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 personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2011, was \$11.59 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential	\$734,279,650
Agricultural	13,281,670
Commercial/Industrial/Mineral	52,593,000
<u>Public Utility Property</u>	
Real	89,030
Personal	15,930,890
Total Assessed Value	<u><u>\$816,174,240</u></u>

Note 7 – Interfund Receivables/Payables

There were no interfund balances as of December 31, 2011.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP.) Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Note 8 – 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 an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage 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 the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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.

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, 2011 and 2010:

	2011	2010
Assets	\$35,086,165	\$35,855,252
Liabilities	9,718,792	10,664,724
Net Assets	\$25,367,373	\$25,190,528

At December 31, 2011 and 2010, respectively, liabilities noted above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and net assets above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$103,094.

The expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2011 and 2010, were \$51,547 and \$43,804, respectively.

Note 8 – Risk Management (continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

The Township has elected to provide employee medical and prescription drug benefits through a self-insured program. A third party administrator reviews all claims which the Township then pays. The Township purchases stop-loss coverage for medical claims in excess of \$25,000 per employee, per occurrence. Custom Design Benefits was the third party administrator for the year.

Note 9 – Defined Benefit Pension Plan

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, but less than, 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in state and local divisions. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2011, member and employer contribution rates were consistent across all three plans.

The Township's 2011 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.00 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

Note 9 – Defined Benefit Pension Plan (continued)

The Township's required contributions for pension obligations to the traditional pension and combined plans for the year ended December 31, 2011, 2010, and 2009, were \$121,313, \$108,046, and \$93,699 respectively. The full amount has been contributed for 2011, 2010 and 2009. Contributions to the member-directed plan for 2011 were \$3,945 made by the Township and \$2,818 made by plan members.

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, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters.

The Township's contributions to OP&F for the years ending December 31, 2011, 2010, and 2009 were \$370,474, \$471,811, and \$429,829 respectively. The full amount has been contributed for 2011, 2010, and 2009.

Note 10 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description -

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order 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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Note 10 – Postemployment Benefits (continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy -

The Ohio Revised Code provides the statutory authority requiring employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012, remained the same, but it is subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. 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, 2011, 2010, and 2009, were \$48,525, \$62,393, and \$67,862, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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 and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

Note 10 – Postemployment Benefits (continued)

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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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 -

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. 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 Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits.

For the year ended December 31, 2011, 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 Sections 115 and 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.

The Township's contributions to OP&F which were allocated to fund postemployment healthcare benefits for firefighters were \$144,968 for the year ended December 31, 2011, \$135,557 for the year ended December 31, 2010, and \$120,838 for the year ended December 31, 2009. The full amount has been contributed for 2011, 2010, and 2009.

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 11 – Debt

A summary of the Township's debt activity for the year ended December 31, 2011, follows:

Governmental Activities	Interest Rate	12/31/10	Additions	Reductions	12/31/11	Due in one year
<u>General Obligation Bonds</u>						
Road Garage	Various	\$ 900,000	\$ -	\$ 900,000	\$ -	\$ -
Road Garage re-financed	3.40%	-	909,000	78,000	831,000	80,000
Fire Station #113	Various	1,455,000	-	85,000	1,370,000	90,000
Woodland View Park	4.0%- 4.4%	595,000	-	90,000	505,000	95,000
747/Princeton Intersection	3.0%- 4.25%	1,975,000	-	75,000	1,900,000	75,000
Kyles Station/St Rt 747 Intersection	3.0%- 4.25%	3,025,000	-	110,000	2,915,000	115,000
Salt Storage Facility	3.0%- 4.125%	285,000	-	10,000	275,000	10,000
Fire Station #111	3.0%- 4.125%	3,280,000	-	130,000	3,150,000	135,000
Total General Obligation Bonds		<u>\$11,515,000</u>	<u>\$909,000</u>	<u>\$ 1,478,000</u>	<u>\$10,946,000</u>	<u>\$ 600,000</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:

General Obligation Bonds		
Year	Principal	Interest
2012	\$ 600,000	\$ 430,064
2013	624,000	408,914
2014	651,000	386,846
2015	674,000	362,847
2016	697,000	337,953
2017-2021	3,185,000	1,307,228
2022-2026	2,930,000	674,725
2027-2031	1,585,000	122,437
Totals	<u>\$10,946,000</u>	<u>\$4,031,014</u>

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 11 – 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 an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$73,075,783 and an unvoted debt margin of \$54,960,067.

Note 12 – Fund Balances

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Fire	Police	Other Governmental Funds	Total
Restricted for:					
Capital Projects	\$ -	\$ -	\$ -	\$5,020,837	\$5,020,837
Cemetery	-	-	-	78,272	78,272
Debt Service	-	-	-	5,579	5,579
Emergency Medical Services	-	-	-	665,062	665,062
Fire Operations	-	3,760,651	-	-	3,760,651
Lighting	-	-	-	267,236	267,236
Police Operations	-	-	2,944,363	-	2,944,363
Recreation Programs	-	-	-	42,736	42,736
Road & Bridge Maintenance/ Improvement	-	-	-	1,668,032	1,668,032
<i>Total Restricted</i>	<u>-</u>	<u>3,760,651</u>	<u>2,944,363</u>	<u>7,747,754</u>	<u>14,452,768</u>
Committed to					
Other Purposes	25,320	-	-	-	25,320
Unassigned					
	5,273,286	-	-	-	5,273,286
<i>Total Fund Balances</i>	<u>\$5,298,606</u>	<u>\$3,760,651</u>	<u>\$2,944,363</u>	<u>\$7,747,754</u>	<u>\$19,751,374</u>

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 13 – Interfund Transfers

During 2011 the following transfers were made:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ -	\$ 288,401
Fire Fund	969,813	147,335
 <u>Nonmajor Funds:</u>		
Road and Bridge Special Revenue Fund	33,022	-
Permissive Motor Vehicle License Special Revenue Fund	18,503	-
747/Princeton Road TIF Debt Service Fund	20,677	-
Road Garage Debt Service Fund	115,294	-
Woodland View Bond Debt Service Fund	115,423	-
Fire Station #3 Building Debt Service Fund	147,335	-
Fire Station #1 Building Debt Service Fund	-	521,046
Road Salt Barn Debt Service Fund	-	14,518
Kyles Station Road Debt Service Fund	227,520	-
Aspen Trails RID District Capital Project Fund	-	225,429
Creekside Meadows RID District Capital Project Fund	-	225,429
Falling Water RID District Capital Project Fund	-	225,429
	\$1,647,587	\$1,647,587

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, or to use unrestricted receipts collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The General Fund transferred \$20,677, \$115,294, and \$115,423 to the 747/Princeton Road TIF Debt Service Fund, the Road Garage Debt Service Fund, and the Woodland View Bond Debt Service Fund, respectively, to fund debt service payments. The General Fund also transferred \$18,504 and \$18,503 to the Road and Bridge Special Revenue Fund and the Permissive Motor Vehicle License Special Revenue Fund, respectively, to underwrite snow plowing expenses.

The Fire Fund transferred \$147,335 to the Fire Station #3 Building Debt Service Fund to fund debt service payments.

Upon completion of fire station #111, the Fire Station #1 Building Debt Service Fund transferred \$521,046 in excess construction funds to the Fire Fund, per the bond agreement, to fund future capital outlay related to fire services.

Upon completion of the salt barn, the Road Salt Bond Debt Service Fund transferred \$14,518 in excess construction funds to the Road and Bridge Special Revenue Fund, per the bond agreement, to fund future capital outlay related to road projects.

Note 13 – Interfund Transfers (continued)

The Aspen Trails RID District Capital Project Fund, Creekside Meadows RID District Capital Project Fund, and the Falling Water RID District Capital Project Fund transferred \$149,589, each, to the Fire Fund to fund prior debt service payments made by the Fire Fund.

The Aspen Trails RID District Capital Project Fund, Creekside Meadows RID District Capital Project Fund, and the Falling Water RID District Capital Project Fund, transferred \$75,840 each, to the Kyles Station Road Debt Service Fund to fund debt service payments

Advances From/To Other Funds

There were no advances as of December 31, 2011.

Note 14 – Public Entity Risk Pool

Ohio Township Association Risk Management Authority

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. For more information on OTARMA, see note 8.

Note 15 – Contingent Liabilities

The Township is party to various legal proceedings seeking damages. Township management is of the opinion that the ultimate disposition of the various claims and legal proceedings will not have a material effect, if any, on the financial statements of the Township. The Township also participates in various grant programs. These programs may be subject to financial and compliance audits by the grantor or their representative.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**REPORT OF INDEPENDENT
ACCOUNTANTS ON INTERNAL
CONTROLS AND COMPLIANCE**

December 31, 2011

LIBERTY TOWNSHIP

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REPORT OF INDEPENDENT ACCOUNTANTS 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

To the Township Trustees
Liberty Township
Butler County, Ohio

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, 2011, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 28, 2012, in which it is noted that the Township prepared its financial statements on the modified cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. It is also noted that the Township adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during 2011. 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

Management of the Township is responsible for establishing and maintaining effective 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 audit procedures for the purpose of expressing our opinions 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.

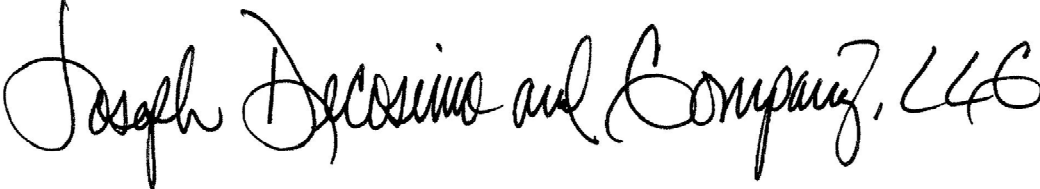
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 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*.

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

A handwritten signature in black ink that reads "Joseph Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
June 28, 2012

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2011**

None Reported

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
None Reported			



Dave Yost • 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
NOVEMBER 13, 2012**