



**LIBERTY TOWNSHIP
BUTLER COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**LIBERTY TOWNSHIP
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Nonexpendable Trust Fund - For the Year Ended December 31, 2000	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Nonexpendable Trust Fund - For the Year Ended December 31, 1999	6
Notes to the Financial Statements	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 10, 2001

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**LIBERTY TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$158,270	\$2,643,481	\$38,944	\$0	\$2,840,695
Intergovernmental	672,546	404,505			1,077,051
Special Assessments	2,090			65,115	67,205
Charges for Services		84,142			84,142
Licenses, Permits, and Fees	71,194	171,846			243,040
Fines, Forfeitures, and Penalties	16,190				16,190
Earnings on Investments	224,995	6,524			231,519
Other Revenue	109,198	11,539		21,005	141,742
	<u>1,254,483</u>	<u>3,322,037</u>	<u>38,944</u>	<u>86,120</u>	<u>4,701,584</u>
Cash Disbursements:					
Current:					
General Government	279,928	85,176			365,104
Public Safety		1,446,484			1,446,484
Public Works	86	307,773		194,877	502,736
Health	11,286	8,258			19,544
Conservation - Recreation	127,436				127,436
Debt Service:					
Redemption of Principal			33,428		33,428
Interest and Fiscal Charges			5,516		5,516
Capital Outlay	331,255	402,697		1,646	735,598
	<u>749,991</u>	<u>2,250,388</u>	<u>38,944</u>	<u>196,523</u>	<u>3,235,846</u>
Total Receipts Over/(Under) Disbursements	504,492	1,071,649	0	(110,403)	1,465,738
Fund Cash Balances, January 1	960,422	1,659,892	0	545,737	3,166,051
Fund Cash Balances, December 31	<u>\$1,464,914</u>	<u>\$2,731,541</u>	<u>\$0</u>	<u>\$435,334</u>	<u>\$4,631,789</u>
Reserve for Encumbrances, December 31	<u>\$9,190</u>	<u>\$29,707</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$53,897</u>

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

LIBERTY TOWNSHIP
BUTLER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$636</u>
Total Operating Cash Receipts	<u>636</u>
Fund Cash Balance, January 1, 2000	<u>11,146</u>
Fund Cash Balance, December 31, 2000	<u><u>\$11,782</u></u>

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

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$135,644	\$2,006,009	\$72,168	\$0	\$2,213,821
Intergovernmental	508,851	317,221		56,351	882,423
Special Assessments	250			61,852	62,102
Charges for Services		75,276			75,276
Licenses, Permits, and Fees	61,254	139,855			201,109
Fines, Forfeitures, and Penalties	18,547	10,000			28,547
Earnings on Investments	134,850	7,211			142,061
Other Revenue	44,721	11,273		67,865	123,859
	<u>904,117</u>	<u>2,566,845</u>	<u>72,168</u>	<u>186,068</u>	<u>3,729,198</u>
Cash Disbursements:					
Current:					
General Government	250,707	90,664			341,371
Public Safety		1,193,377			1,193,377
Public Works	86	273,970		97,200	371,256
Health	10,881	11,181			22,062
Conservation - Recreation	129,173				129,173
Debt Service:					
Redemption of Principal			63,428		63,428
Interest and Fiscal Charges			8,740		8,740
Capital Outlay	80,489	1,075,119		121,858	1,277,466
	<u>471,336</u>	<u>2,644,311</u>	<u>72,168</u>	<u>219,058</u>	<u>3,406,873</u>
Total Receipts Over/(Under) Disbursements	<u>432,781</u>	<u>(77,466)</u>	<u>0</u>	<u>(32,990)</u>	<u>322,325</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		22,000		153,296	175,296
Transfers-Out	(125,296)	(50,000)			(175,296)
Sale of Fixed Assets	30,000				30,000
	<u>(95,296)</u>	<u>(28,000)</u>	<u>0</u>	<u>153,296</u>	<u>30,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	337,485	(105,466)	0	120,306	352,325
Fund Cash Balances, January 1, 1999	622,937	1,765,358	0	425,431	2,813,726
Fund Cash Balances, December 31, 1999	<u>\$960,422</u>	<u>\$1,659,892</u>	<u>\$0</u>	<u>\$545,737</u>	<u>\$3,166,051</u>
Reserve for Encumbrances, December 31	<u>\$101,724</u>	<u>\$72,123</u>	<u>\$0</u>	<u>\$10,432</u>	<u>\$184,279</u>

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

LIBERTY TOWNSHIP
BUTLER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$70
Total Operating Cash Receipts	70
Operating Cash Disbursements:	
Current:	
Supplies and Materials	254
Total Operating Cash Disbursements	254
Operating Income/(Loss)	(184)
Fund Cash Balances, January 1	11,330
Fund Cash Balances, December 31	<u><u>\$11,146</u></u>

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

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Butler County, Ohio (the Township), is a body corporate and politic 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 provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Butler County Sheriff for police protection.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit and U.S. Treasury securities are valued at cost. Money market funds are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fire Department Fund - This fund receives property tax money to account for the daily activities of the Fire Department.

Police Fund - This fund receives property tax money to pay for police protection in the Township.

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Bond Retirement Fund - This fund receives property tax money to retire general obligation debt of the Township.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Funds:

Lighting Assessment Fund - This fund is used to account for lighting assessments levied against the benefitting property owners.

Fire Station #3 Fund - This fund is used to accumulate resources for the construction of a third Township fire station.

5. Fiduciary Fund (Nonexpendable Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following Fiduciary Fund:

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. As of December 31, 2000, the Township had \$105 petty cash on hand. On December 31, 1999, the Township had \$100 petty cash on hand. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$2,511,352	\$1,156,219
Certificates of deposit	<u>5,000</u>	<u>5,000</u>
Total deposits	<u>2,516,352</u>	<u>1,161,219</u>
U.S. Treasury Securities	2,120,332	2,009,557
Money Market Funds	<u>6,782</u>	<u>6,321</u>
Total investments	<u>2,127,114</u>	<u>2,015,878</u>
Total deposits and investments	<u><u>\$4,643,571</u></u>	<u><u>\$3,177,197</u></u>

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

Investments: The Township invests in a Fifth Third Bank Liquid Asset Management Accounts, which invests in U.S. Treasury securities.

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$907,302	\$1,254,483	\$347,181
Special Revenue	3,297,250	3,322,037	24,787
Debt Service	38,944	38,944	0
Capital Projects	72,830	86,120	13,290
Fiduciary	100	636	536
Total	\$4,316,426	\$4,702,220	\$385,794

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$904,621	\$759,181	\$145,440
Special Revenue	2,726,620	2,280,095	446,525
Debt Service	38,944	38,944	0
Capital Projects	211,523	211,523	0
Fiduciary	400	0	400
Total	\$3,882,108	\$3,289,743	\$592,365

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$819,043	\$934,117	\$115,074
Special Revenue	2,342,100	2,588,845	246,745
Debt Service	72,168	72,168	0
Capital Projects	306,997	339,364	32,367
Fiduciary	500	70	(430)
Total	\$3,540,808	\$3,934,564	\$393,756

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$995,349	\$698,356	\$296,993
Special Revenue	3,192,093	2,766,434	425,659
Debt Service	72,169	72,168	1
Capital Projects	605,979	229,490	376,489
Fiduciary	500	254	246
Total	\$4,866,090	\$3,766,702	\$1,099,388

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$66,858	5.5%

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

In 1995, the Township issued General Obligation Notes for its new administration building.

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

Year ending December 31:	General Obligation Notes
2001	\$37,106
2002	<u>35,267</u>
Total	<u><u>\$72,373</u></u>

6. RETIREMENT SYSTEMS

The Township's full-time fire fighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Part-time fire fighters contribute to Social Security. Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

**LIBERTY TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$22,684,383	\$18,172,222
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>
 <u>Property Coverage</u>	 <u>2000</u>	 <u>1999</u>
Assets	\$4,156,784	\$3,544,437
Liabilities	<u>497,831</u>	<u>674,752</u>
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>

8. SUBSEQUENT EVENTS

In February 2001, the Township authorized the issuance and sale of bonds not to exceed \$1,500,000 for the construction of a new maintenance building and salt storage building. These bonds bear an interest rate of 6.50% and have a maximum maturity of twenty years. In May 2001, the Township authorized the issuance of notes in the amount of \$375,000 for the purpose of acquiring land for the construction of a new fire station. The notes bear an interest rate of 4.55% and have a maximum maturity of five years.

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STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 10, 2001. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated August 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 10, 2001.

Liberty Township
Butler County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

August 10, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
SEPTEMBER 4, 2001**