

**Liberty Township  
Hardin County, Ohio  
Financial Statements  
December 31, 2005 and 2004**





Mary Taylor, CPA  
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Liberty Township  
110 E. Buckeye Avenue  
P.O. Box 327  
Ada, Ohio 45810

We have reviewed the *Independent Auditors' Report* of Liberty Township, Hardin County, prepared by Taylor Applegate Hughes and Associates, Ltd., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 3, 2007

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Liberty Township  
Hardin County, Ohio

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## INDEPENDENT AUDITORS' REPORT

Liberty Township  
110 E. Buckeye Ave.  
P.O. Box 327  
Ada, OH 45810

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Hardin County, Ohio, (the Township), as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revision to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated

Liberty Township  
Hardin County  
Independent Auditors' Report  
Page 2

under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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 Liberty Township, Hardin County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opinion on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of than audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Taylor, Applegate, Hughes and Associates, Ltd.  
October 28, 2006

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Governmental Fund Types</b>		<b>Fiduciary Fund Types</b>	<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Nonexpendable Trust</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$76,607	\$143,698	\$0	\$220,305
Charges for Services	0	41,444	0	41,444
Licenses, Permits, and Fees	0	23,303	0	23,303
Intergovernmental	80,145	140,785	0	220,930
Earnings on Investments	7,793	605	188	8,586
Miscellaneous	0	11,976	0	11,976
	<u>164,545</u>	<u>361,811</u>	<u>188</u>	<u>526,544</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	70,525	450	0	70,975
Public Safety	0	122,228	0	122,228
Public Works	0	97,184	0	97,184
Health	0	99,846	0	99,846
Capital Outlay	34,348	574,159	0	608,507
	<u>104,873</u>	<u>893,867</u>	<u>0</u>	<u>998,740</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>59,672</u>	<u>(532,056)</u>	<u>188</u>	<u>(472,196)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	0	66,000	0	66,000
Transfers-Out	(66,000)	0	0	(66,000)
Advances-In	45,603	45,603	0	91,206
Advances-Out	(45,603)	(45,603)	0	(91,206)
Other Financing Sources	159	335,000	0	335,159
	<u>(65,841)</u>	<u>401,000</u>	<u>0</u>	<u>335,159</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	<u>(6,169)</u>	<u>(131,056)</u>	<u>188</u>	<u>(137,037)</u>
Fund Cash Balance, January 1	<u>253,707</u>	<u>217,608</u>	<u>11,463</u>	<u>482,778</u>
<b>Fund Cash Balance, December 31</b>	<u><u>247,538</u></u>	<u><u>86,552</u></u>	<u><u>11,651</u></u>	<u><u>345,741</u></u>
Reserve for Encumbrances, December 31	<u><u>0</u></u>	<u><u>3,000</u></u>	<u><u>0</u></u>	<u><u>3,000</u></u>

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

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND AND FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004**

	<b>Governmental Fund Types</b>		<b>Fiduciary Fund Type</b>	<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Nonexpendable Trust</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$73,671	\$134,886	\$0	\$208,557
Charges for Services	0	42,950	0	42,950
Licenses, Permits, and Fees	0	16,041	0	16,041
Intergovernmental	72,817	96,141	0	168,958
Earnings on Investments	4,162	38	83	4,283
Miscellaneous	0	6,970	0	6,970
<b>Total Cash Receipts</b>	<b>150,650</b>	<b>297,026</b>	<b>83</b>	<b>447,759</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	69,871	450	0	70,321
Public Safety	0	53,923	0	53,923
Public Works	0	95,770	0	95,770
Health	0	61,317	0	61,317
Capital Outlay	600	6,231	0	6,831
<b>Total Cash Disbursements</b>	<b>70,471</b>	<b>217,691</b>	<b>0</b>	<b>288,162</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>80,179</b>	<b>79,335</b>	<b>83</b>	<b>159,597</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	0	55,000	0	55,000
Transfers-Out	(55,000)	0	0	(55,000)
Other Financing Sources	563	0	0	563
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(54,437)</b>	<b>55,000</b>	<b>0</b>	<b>563</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>25,742</b>	<b>134,335</b>	<b>83</b>	<b>160,160</b>
<b>Fund Cash Balance, January 1</b>	<b>227,966</b>	<b>83,273</b>	<b>11,380</b>	<b>322,619</b>
<b>Fund Cash Balance, December 31</b>	<b>253,708</b>	<b>217,608</b>	<b>11,463</b>	<b>482,779</b>
<b>Reserve for Encumbrances, December 31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

**LIBERTY TOWNSHIP  
HARDIN COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township, Hardin County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township contracts with the City of Kenton, Ohio to provide fire services to its residents.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Cash and Investments**

Certificates of deposit 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 used for reporting 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 is used to receive property tax money for constructing, maintaining and repairing Township roads and bridges.

**LIBERTY TOWNSHIP  
HARDIN COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Fund Accounting, Continued**

**2. Special Revenue Funds, Continued**

Gasoline Tax Fund - This fund is used to receive gasoline tax money to pay for constructing, maintaining, and repairing Township streets.

Motor Vehicle License Tax Fund - This fund is used to receive tax money for maintaining and repairing township roads.

Cemetery Fund - This fund is used to receive money and fees from the sale of lots, grave openings and grave closings for the purpose of maintaining and operating the Township cemeteries.

Fire Special Levy Fund – This fund is used to receive money from a special levy for the purpose of fire protection.

**3. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant fiduciary funds:

Cemetery Bequest Funds – these funds account for resources restricted by legally binding agreements.

**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 must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**LIBERTY TOWNSHIP  
HARDIN COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**E. Budgetary Process, Continued**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2005	2004
Demand deposits	\$ 171,094	\$ 116,905
Invested deposits	155,158	346,888
Certificates of deposit	19,489	18,986
Total Deposits	\$ 345,741	\$ 482,779

**Deposits**

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

**LIBERTY TOWNSHIP  
HARDIN COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**3. BUDGETARY ACTIVITY**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 110,494	\$ 210,307	\$ (99,813)
Special Revenue	425,122	473,414	(48,292)
Total	\$ 535,616	\$ 683,721	\$ (148,105)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 253,738	\$ 216,476	\$ 37,262
Special Revenue	596,005	604,470	(8,465)
Total	\$ 849,743	\$ 820,946	\$ 28,797

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 108,462	\$ 151,213	\$ (42,751)
Special Revenue	352,398	352,075	323
Total	\$ 460,860	\$ 503,288	\$ (42,428)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 182,717	\$ 125,471	\$ 57,246
Special Revenue	279,844	217,691	62,153
Total	\$ 462,561	\$ 343,162	\$ 119,399

**4. PROPERTY TAXES**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. 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.



**LIBERTY TOWNSHIP  
HARDIN COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**4. PROPERTY TAXES, Continued**

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

**5. RETIREMENT SYSTEMS**

The Township's full-time and part time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS' members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

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

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

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000, up to \$1.75 million per claim and \$10 million in the aggregate per year. Townships can elect additional coverage, from \$2 million to \$12 million with the General Reinsurance Corporation, through contacts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$56 million per year, subject to a per-claim limit of \$2 million.

**LIBERTY TOWNSHIP  
HARDIN COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**6. RISK MANAGEMENT, Continued**

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provided written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claimed and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) are in conformity with generally accepted accounting principals, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

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

**LIBERTY TOWNSHIP  
HARDIN COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**6. RISK MANAGEMENT, Continued**

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately less than \$10,000.

**7. Debt**

Debt outstanding at December 31, 2005 was \$335,000. During 2005, the Township obtained a \$335,000 loan from Liberty National Bank to purchase a fire truck. The loan is payable on demand, but if no demand is made, principal and interest payments are due according to the following amortization schedule of combined principal and interest payments:

2006	\$	121,000
2007		121,000
2008		<u>115,619</u>
Total Payments	\$	357,619



**TaylorApplegateHughes**  
AND ASSOCIATES, LTD

CERTIFIED PUBLIC  
ACCOUNTANTS +  
BUSINESS ADVISORS

Keith O. Applegate, CPA

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**Independent Auditors' Report on Internal Control over Financial  
Reporting and On Compliance and Other Matters Required By  
*Government Auditing Standards***

Liberty Township  
110 E. Buckeye Ave.  
P.O. Box 327  
Ada, Ohio 45810

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Hardin County, (the Township) as of and for the years ended December 31, 2005, and December 31, 2004, and have issued our report thereon dated October 28, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting 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 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, which we have reported to management of the Township in a separate letter dated October 28, 2006.

### **Compliance**

As part of obtaining reasonably assuring whether the Township's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated October 28, 2006.

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

Taylor, Applegate, Hughes and Associates, Ltd.  
October 28, 2006





**Mary Taylor, CPA**  
Auditor of State

**LIBERTY TOWNSHIP**

**HARDIN 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  
JANUARY 18, 2007**