



**Auditor of State  
Betty Montgomery**



VILLAGE OF LIBERTY CENTER  
HENRY COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Liberty Center  
Henry County  
110 East Street  
PO Box 92  
Liberty Center, Ohio 43532

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Betty Montgomery**  
Auditor of State

November 22, 2005

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Liberty Center  
Henry County  
110 East Street  
PO Box 92  
Liberty Center, Ohio 43532

To the Village Council:

We have audited the accompanying financial statements of the Village of Liberty Center, Henry County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village'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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity

wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village 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 Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated 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 effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year 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 the Village of Liberty Center, Henry County, as of December 31, 2004 and 2003, 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 Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village 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 our report dated November 22, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

November 22, 2005



**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$28,167			\$28,167
Municipal Income Tax	123,956		\$30,989	154,945
Intergovernmental Receipts	46,319	\$77,150	14,618	138,087
Charges for Services	5,960			5,960
Fines, Licenses, and Permits	35			35
Earnings on Investments	7,306	545		7,851
Miscellaneous	18,063			18,063
	<u>229,806</u>	<u>77,695</u>	<u>45,607</u>	<u>353,108</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	49,973			49,973
Public Health Services	8,863			8,863
Leisure Time Activities	16,402			16,402
Community Environment	855			855
Basic Utility Services	16,828			16,828
Transportation	6,301	48,266		54,567
General Government	101,149		2,029	103,178
Debt Service:				
Principal Payments			15,621	15,621
Interest Payments			1,436	1,436
Capital Outlay	38,512	27,764	27,790	94,066
	<u>238,883</u>	<u>76,030</u>	<u>46,876</u>	<u>361,789</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,077)</u>	<u>1,665</u>	<u>(1,269)</u>	<u>(8,681)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		3,500		3,500
Transfers-Out	(5,627)			(5,627)
	<u>(5,627)</u>	<u>3,500</u>		<u>(2,127)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,704)	5,165	(1,269)	(10,808)
Fund Cash Balances, January 1	158,240	17,278	82,299	257,817
<b>Fund Cash Balances, December 31</b>	<u><b>\$143,536</b></u>	<u><b>\$22,443</b></u>	<u><b>\$81,030</b></u>	<u><b>\$247,009</b></u>
Reserves for Encumbrances, December 31	<u>\$3,593</u>	<u>\$677</u>		<u>\$4,270</u>

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

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$453,659
Total Operating Cash Receipts	453,659
<b>Operating Cash Disbursements:</b>	
Personal Services	106,421
Fringe Benefits	48,586
Contractual Services	36,544
Supplies and Materials	101,200
Other	99,807
Capital Outlay	51,451
Total Operating Cash Disbursements	444,009
Operating Income	9,650
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	3,036
Earnings on Investments	807
Total Non-Operating Cash Receipts	3,843
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	31,750
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(18,257)
Transfers-In	45,345
Transfers-Out	(43,218)
Net Receipts (Under) Disbursements	(16,130)
Fund Cash Balances, January 1	579,553
<b>Fund Cash Balances, December 31</b>	<b>\$563,423</b>
Reserve for Encumbrances, December 31	\$18,068

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

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$26,009			\$26,009
Municipal Income Tax	128,943		\$32,221	161,164
Intergovernmental Receipts	46,908	\$99,601	190,892	337,401
Charges for Services	6,665			6,665
Fines, Licenses, and Permits	50			50
Earnings on Investments	8,737	313		9,050
Miscellaneous	15,568		4,699	20,267
	<u>232,880</u>	<u>99,914</u>	<u>227,812</u>	<u>560,606</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	49,970			49,970
Public Health Services	11,036			11,036
Leisure Time Activities	10,999			10,999
Community Environment	856			856
Basic Utility Services	16,917			16,917
Transportation	8,715	89,923		98,638
General Government	104,986	15,542	1,634	122,162
Debt Service:				
Principal Payments			14,118	14,118
Interest Payments			2,538	2,538
Capital Outlay	1,575		204,537	206,112
	<u>205,054</u>	<u>105,465</u>	<u>222,827</u>	<u>533,346</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>27,826</u>	<u>(5,551)</u>	<u>4,985</u>	<u>27,260</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		6,000		6,000
Transfers-Out	(8,274)			(8,274)
	<u>(8,274)</u>	<u>6,000</u>	<u></u>	<u>(2,274)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements				
	19,552	449	4,985	24,986
Fund Cash Balances, January 1	138,688	16,829	77,314	232,831
<b>Fund Cash Balances, December 31</b>	<b><u>\$158,240</u></b>	<b><u>\$17,278</u></b>	<b><u>\$82,299</u></b>	<b><u>\$257,817</u></b>
Reserves for Encumbrances, December 31	<u>\$11,374</u>	<u>\$587</u>	<u></u>	<u>\$11,961</u>

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

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$424,935
Miscellaneous	
	424,935
<b>Operating Cash Disbursements:</b>	
Personal Services	108,336
Fringe Benefits	44,608
Contractual Services	38,697
Supplies and Materials	77,641
Other	99,416
Capital Outlay	53,644
	422,342
Total Operating Cash Disbursements	422,342
Operating Income	2,593
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	3,320
Earnings on Investments	826
Intergovernmental Revenue	37,160
	41,306
Total Non-Operating Cash Receipts	41,306
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	31,400
Excess of Receipts Over Disbursements Before Interfund Transfers	12,499
Transfers-In	43,418
Transfers-Out	(41,144)
	14,773
Net Receipts Over Disbursements	14,773
Fund Cash Balances, January 1	564,780
<b>Fund Cash Balances, December 31</b>	<b>\$579,553</b>
Reserve for Encumbrances, December 31	\$20,164

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

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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 the Village of Liberty Center, Henry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, and park operations. The Village contracts with the Henry County Sheriff's department to provide security of persons and property.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash**

Certificates of deposits are valued at cost

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

State Grant Fund -This fund receives grant monies to fund road improvements for Maple Street.

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Grants Construction Fund - This fund was established for an OPWC funded Sewer Improvement Project.

Other Capital Projects Fund- This fund receives proceeds from the Village's income tax. The fund is being used to finance capital improvements.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**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 object level of control, and appropriations may not exceed estimated resources. Village Council 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.

**3. Encumbrances**

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH**

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

	2004	2003
Demand deposits	\$159,432	\$186,370
Certificates of deposit	651,000	651,000
Total deposits	\$810,432	\$837,370

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$251,000	\$229,806	(\$21,194)
Special Revenue	91,926	81,195	(10,731)
Capital Projects	54,000	45,607	(8,393)
Enterprise	519,200	502,847	(16,353)
Total	\$916,126	\$859,455	(\$56,671)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$280,360	\$248,103	\$32,257
Special Revenue	99,926	76,707	23,219
Capital Projects	60,100	46,876	13,224
Enterprise	973,243	537,045	436,198
Total	\$1,413,629	\$908,731	\$504,898

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,500	\$232,880	(\$7,620)
Special Revenue	114,180	105,914	(8,266)
Capital Projects	324,000	227,812	(96,188)
Enterprise	578,200	509,659	(68,541)
Total	<u>\$1,256,880</u>	<u>\$1,076,265</u>	<u>(\$180,615)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$261,560	\$224,702	\$36,858
Special Revenue	129,480	106,052	23,428
Capital Projects	329,628	222,827	106,801
Enterprise	953,340	515,050	438,290
Total	<u>\$1,674,008</u>	<u>\$1,068,631</u>	<u>\$605,377</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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 Village.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:



**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

	Principal	Interest Rate
Ohio Public Works Loan -Maple St. Phase I	\$68,895	0.00%
Ohio Public Works Loan - Maple St. Phase II	18,522	0.00%
General Obligation Loan	21,907	5.17%
Mortgage Revenue Bonds	341,000	5.00%
Total	\$450,324	

The Ohio Public Works Commission Loan for Phase I of Maple Street was issued in fiscal year 2001 and relates to the Maple Street improvements, in the amount of \$81,053 at a zero percent interest rate. The loan will be paid in semiannual payments over 20 years.

The Ohio Public Works Commission Loan for Phase II of Maple Street was issued in fiscal year 2003 and relates to the Maple Street improvements, in the amount of \$19,497 at a zero percent interest rate. The loan will be paid in semiannual payments over 20 years.

The Maple Street Improvement G.O. Loan was issued in fiscal year 2001 by the bank in the amount of \$52,903 at 5.17% interest rate. The loan will be paid monthly over six years.

The Waterworks System First Mortgage Revenue Bonds were issued in 1985 and relate to a waterline project, in the amount of \$525,000 at 5% interest. The bonds will be paid in installments over 37 years.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OPWC Loans	General Obligation Loans	Mortgage Revenue Bonds
2005	\$5,027	\$12,030	\$31,050
2006	5,028	11,027	31,350
2007	5,027		31,600
2008	5,028		31,800
2009	5,027		31,950
2010-2014	25,138		155,750
2015-2019	25,137		158,750
2019-2023	12,005		31,500
Total	\$87,417	\$23,057	\$503,750

**8. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village had a \$2,367 contribution still outstanding to OPERS at December 31, 2004.

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



**Auditor of State  
Betty Montgomery**

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

Village of Liberty Center  
Henry County  
110 East Street  
PO Box 92  
Liberty Center, Ohio 43532

To the Village Council:

We have audited the financial statements of the Village of Liberty Center, Henry County, (the Village) as of and for the years ended December 31 2004 and 2003, and have issued our report thereon dated November 22, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated November 22, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated November 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 22, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF LIBERTY CENTER**

**HENRY 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  
DECEMBER 20, 2005**