



**Auditor of State
Betty Montgomery**

VILLAGE OF LISBON
COLUMBIANA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003	4
Notes to the Financial Statements	5
Schedule of Federal Awards Expenditures	13
Notes to Schedule of Federal Awards Expenditures	14
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	23

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lisbon
Columbiana County
24 N. Nelson Avenue
Lisbon, Ohio 44432

To the Village Council:

We have audited the accompanying financial statements of the Village of Lisbon, Columbiana County (the Village) as of and for the year ended December 31, 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 *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.

The Village's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village 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 Village as of December 31, 2003, 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 January 24, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Village Council 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.

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

Betty Montgomery
Auditor of State

January 24, 2005

VILLAGE OF LISBON
COLUMBIANA COUNTY

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

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts:						
Property Tax and Other Local Taxes	\$1,100,689	\$130,630				\$1,231,319
Intergovernmental Receipts	335,944	116,755				452,699
Charges for Services	26,578	50,376				76,954
Fines, Licenses, and Permits	23,856			25,039		48,895
Earnings on Investments		335		33,366	84	33,785
Miscellaneous	9,334				3,516	12,850
Total Cash Receipts	1,496,401	298,096	0	58,405	3,600	1,856,502
Cash Disbursements:						
Current:						
Security of Persons and Property	613,264	12,086				625,350
Public Health Services		128,156				128,156
Leisure Time Activities	13,739					13,739
Community Environment	74,337					74,337
Transportation	1,283	326,356				327,639
General Government	354,491	15,562				370,053
Debt Service:						
Principal Payments		12,359	141,862			154,221
Interest Payments			48,503			48,503
Capital Outlay				283,951		283,951
Total Disbursements	1,057,114	494,519	190,365	283,951	0	2,025,949
Total Receipts Over/(Under) Disbursements	439,287	(196,423)	(190,365)	(225,546)	3,600	(169,447)
Other Financing Receipts/(Disbursements):						
Transfers-In	904,469	204,000	76,198	267,640		1,452,307
Other Financing Receipts	28,834	3,714	78,692			111,240
Transfers-Out	(1,165,484)	(122,995)	(249,428)			(1,537,907)
Advances-Out	(43,114)					(43,114)
Other Financing (Disbursements)	(9,917)					(9,917)
Total Other Financing Receipts/(Disbursements)	(285,212)	84,719	(94,538)	267,640		(27,391)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	154,075	(111,704)	(284,903)	42,094	3,600	(196,838)
Fund Cash Balances January 1	940,982	412,054	19,907	389,290	7,901	1,770,134
Fund Cash Balances, December 31	\$1,095,057	\$300,350	(\$264,996)	\$431,384	\$11,501	\$1,573,296
Reserves for Encumbrances, December 31	\$1,174	\$5,320	\$0	\$0	\$0	\$6,494

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

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$1,062,786	\$23,494	\$1,086,280
Special Assessments	17,478		17,478
Miscellaneous		6,372	6,372
Total Operating Cash Receipts	<u>1,080,264</u>	<u>29,866</u>	<u>1,110,130</u>
Operating Cash Disbursements:			
Personal Services	315,084		315,084
Contractual Services	678,785		678,785
Supplies and Materials	234,595		234,595
Capital Outlay	824,314		824,314
Total Operating Cash Disbursements	<u>2,052,778</u>		<u>2,052,778</u>
Operating Income/(Loss)	<u>(972,514)</u>	<u>29,866</u>	<u>(942,648)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	809,999		809,999
Other Non-Operating Receipts	60,018		60,018
Total Non-Operating Cash Receipts	<u>870,017</u>		<u>870,017</u>
Non-Operating Cash Disbursements:			
Debt Service	159,612		159,612
Total Non-Operating Cash Disbursements	<u>159,612</u>		<u>159,612</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	<u>(262,109)</u>	<u>29,866</u>	<u>(232,243)</u>
Transfers-In	97,447		97,447
Advances-In	48,760		48,760
Advances-Out	(5,646)		(5,646)
Transfers-Out	(11,847)		(11,847)
Net Receipts Over/(Under) Disbursements	<u>(133,395)</u>	<u>29,866</u>	<u>(103,529)</u>
Fund Cash Balances, January 1	<u>487,982</u>	<u>261,856</u>	<u>749,838</u>
Fund Cash Balances, December 31	<u>\$354,587</u>	<u>\$291,722</u>	<u>\$646,309</u>
Reserve for Encumbrances, December 31	<u>\$2,580</u>		<u>\$2,580</u>

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

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lisbon, Columbiana County, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, cemetery services, fire, and police services. The Village appropriates general fund money to support a volunteer fire department.

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 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

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 disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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 Fund

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 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.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cemetery Fund – This fund receives charges for services from customers for the purchase of cemetery plots and burials.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service funds:

General Obligation Bond Retirement - This fund receives money from the General Fund to retire debt the Village took out to pay for improvements to the downtown area.

Downtown Phase I Assessment – This fund received money from the businesses located in the Village for improvements to the downtown area.

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 Village had the following significant Capital Project fund:

Capital Improvements Fund - This fund receives proceeds from the General fund. The proceeds are being used to construct numerous projects throughout the Village, the largest of which was the Northwest Sewer Separation project.

5. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Northwest Sewer Separation Project Fund – This fund received federal CDBG grant monies passed through the state. The proceeds of the grant were used to upgrade the sewer system in the Northwest area of the Village.

6. Fiduciary Funds (Trust Funds)

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

Cemetery Endowment Fund – This fund receives monies from interest on investments and thirty percent (30%) of the sale of lots for the future care of the cemetery.

VILLAGE OF LISBON
COLUMBIANA COUNTY

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

6. **Fiduciary Funds (Trust Funds) (Continued)**

John H. Clarke Fund – This fund receives monies from interest on investments and a donation each year from the John H. Clarke foundation for the operation, supplies, materials, maintenance and upkeep of the cemetery.

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 level of control, and appropriations may not exceed estimated resources. The 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village 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:

	2002
Demand deposits	\$1,814,605
Certificates of deposit	405,000
Total deposits	\$2,219,605

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,429,703	\$2,429,703	\$0
Special Revenue	506,560	505,810	(750)
Debt Service	244,049	154,890	(89,159)
Capital Projects	798,117	326,045	(472,072)
Enterprise	1,185,260	2,047,728	862,468
Fiduciary	33,464	33,466	2
Total	\$5,197,153	\$5,497,642	\$300,489

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,501,942	\$2,233,688	\$268,254
Special Revenue	736,608	622,834	113,774
Debt Service	801,846	439,793	362,053
Capital Projects	912,539	283,951	628,588
Enterprise	1,611,792	2,226,817	(615,025)
Fiduciary	7,020	0	7,020
Total	\$6,571,747	\$5,807,083	\$764,664

Contrary to Ohio law, budgetary transfers were not properly approved in 29% of those tested for 2003.

Contrary to Ohio law, expenditures were made without proper certification of the fiscal officer in 47% of the expenditures tested for 2003.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Also contrary to Ohio law, total appropriations exceeded total estimated resources in the Other Debt Service Fund in 2003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 Village.

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 Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 ½ 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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Waterworks System Improvement Bonds	\$60,000	6.875%
Ohio Public Works Commission (OPWC) Loan	2,425	0.00%
OWDA Water Extension Loan	111,073	10.98%
OWDA Loan	252,208	4.18%
Water System Improvement Bonds	265,098	5.50%
OPWC Issue II Loan	538,752	0.00%
Street Sweeper	11,683	5.79%
OWDA Loan 125DW (Stand Pipe)	39,891	3.20%
Total	<u>\$1,281,130</u>	

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

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

6. DEBT (Continued)

The Waterworks System Improvement Bonds were issued in 1979 in the amount totaling \$292,000. They were issued to pay the cost of improving the municipal waterworks system by constructing additional water treatment and distribution facilities. The loan is collateralized by water and sewer receipts.

The OPWC Loan was issued in 1993 in the amount of \$48,500. This loan was used for the demolition and disposal of the existing aerator, housing and 20,000 gallon settling basin and the installation of new induced draft aerator equipment and 10,000 gallon settling tank. The loan is collateralized by water and sewer receipts.

The Ohio Water Development Authority (OWDA) Water Extension loan relates to a water and sewer plant expansion project that was taken on to expand and repair current water and sewer services. The expansion to the sewer plant consists of a second filter at the Water Treatment Plant to double the treatment capacity. The OWDA approved up to \$650,000 in loans to the Village for this project in 1984. The loan will be repaid in semiannual installments of \$12,342 of principal, plus accumulated interest at a rate of 10.98%, over 25 years (will be paid off in 2008). The scheduled payment has been adjusted to reflect the final amount actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA Loan relates to major improvements to the water and sewer plant as required by the Environmental Protection Agency (EPA). The OWDA approved up to \$393,600 in loans to the Village for this project in 1994. The loan will be repaid in semiannual installments of \$14,418, including interest, at a rate of 4.18%, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Water System Improvement Bonds were taken out for the purpose of acquiring and constructing water line improvements. A local bank approved up to \$400,000 in bonds to the Village for this project in 1999. The loan will be repaid in semiannual payments of interest and annual payment of principal that are calculated based on the 5.50% interest rate, over a period of 10 years. The bonds are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover the bond debt service requirements.

The OPWC Issue II Loan relates to the repair and/or replacement of US Route 30, State Route 45 and State Route 164. OPWC approved up to \$648,300 in loans to the Village for this project in 1998. The loan will be repaid in semiannual installments of \$15,846, at an interest rate of 0%, over 20 years. The loan is collateralized by local government receipts.

The Street Sweeper Loan was issued in 1999 in the amount of \$55,000. The Village will pay off this loan in annual payments of \$12,359, including interest, over a five year period. The loan was collateralized by property tax receipts.

The OWDA Loan 125 DW relates to the design of the Northside distribution system improvements. The OWDA approved a \$95,905 loan amount for this project in 2000. The loan will be repaid in semiannual installments of \$10,455, including interest, at a rate of 3.2% over five years. The loan is collateralized by water service charges. The Village has agreed to set water rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

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

6. DEBT (Continued)

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

Year ending December 31:	Waterworks System Imp.	OPWC Loan	OWDA Water Extension	OWDA Loan
	Loan		Loan	
2004	14,125	2,425	36,879	28,836
2005	13,437	0	34,169	28,836
2006	12,750	0	31,458	28,836
2007	12,072	0	28,749	28,836
2008	11,365	0	13,697	28,836
2009-2013	10,688	0	0	144,182
2014-2018	0	0	0	28,837
2019-2023	0	0	0	0
Total	<u>\$74,437</u>	<u>\$2,425</u>	<u>\$144,952</u>	<u>\$317,199</u>

Year ending December 31:	Water System Imp.	Issue II Loan	Street Sweeper	OWDA Loan 125DW	Total Payment Requirements
	Bonds		Loan		
2004	53,067	31,691	12,359	20,909	200,291
2005	53,067	31,691	0	20,909	182,109
2006	53,067	31,691	0	0	157,802
2007	53,067	31,691	0	0	154,415
2008	53,067	31,691	0	0	138,656
2009-2013	44,912	158,457	0	0	358,239
2014-2018	0	158,457	0	0	187,294
2019-2023	0	63,383	0	0	63,383
Total	<u>\$310,247</u>	<u>\$538,752</u>	<u>\$12,359</u>	<u>\$41,818</u>	<u>\$1,442,189</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement 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 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

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

7. RETIREMENT SYSTEMS (Continued)

Effective July 1, 1991, volunteer firefighters not otherwise covered by the Public Employees Retirement System or the Ohio Police and Fire Pension Fund are covered by Social Security. For the period January 1, 2003 through December 31, 2003, the Village's volunteer firefighters who are covered by Social Security contributed 6.2% of their gross salary with the Village contributing an equal amount of 6.2% of the gross salaries. The Village has paid Social Security for all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. CONTINGENT LIABILITIES

The Village is a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Federal Highway Administration Grant	20772	20.205	\$313,299
<u>U.S. DEPARTMENT OF DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant	C-W-00-332-1	14.228	460,000
<i>Passed Through Columbiana County Department of Development:</i>			
Community Development Block Grant	B-P-01-015-2	14.228	<u>12,389</u>
Total - U.S. Department of Development			\$472,389
Total			<u><u>\$785,688</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The Schedule has been prepared on the cash basis of accounting.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Lisbon
Columbiana County
24 N. Nelson Avenue
Lisbon, Ohio 44432

To the Village Council:

We have audited the financial statements of the Village of Lisbon, Columbiana County (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated January 24, 2005 wherein we noted that the Village's financial transactions were processed using 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 conduct the audit of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village'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 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 such an opinion. The results of our tests disclosed several instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated January 24, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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 the Village's management in a separate letter dated January 24, 2005.

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Village of Lisbon
Columbiana County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass through entities 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 24, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Lisbon
Columbiana County
24 N. Nelson St.
Lisbon, Ohio 44432

To the Village Council:

Compliance

We have audited the compliance of the Village of Lisbon, Columbiana County (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Council, and federal awarding agencies and pass-through entities, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 24, 2005

VILLAGE OF LISBON
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant – CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code Section 5705.14 indicates that before an interfund transfer can be made from the General Fund, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board. See *also* 1989 Ohio Attorney General Opinion No. 89-075 (Ohio Revised Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds.)

The Village processed 29% of the transfers throughout the year from the General Fund to other funds without specific resolutions being passed by Council authorizing such transactions.

Individual transfers should be approved by resolution of Council to ensure compliance with this Ohio Revised Code section.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**FINDING NUMBER 2003-002
 (Continued)**

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always certify funds when placing orders or making contracts in 2003. This occurred in 47% of the expenditures tested for 2003. This lack of control over expenditures also undermines the Village’s budget because purchases are made without knowledge of cash balances left in particular line items or funds.

The Village should utilize purchase orders to monitor appropriations on a consistent basis. In addition, we also recommend the Village clerk review and amend appropriations when it is determined that expenditures will exceed appropriations. The clerk should be informed of any and all purchases before they are made. This will ensure that purchase orders are completed prior to a purchase being made, as well as assuring that there are sufficient funds to cover the proposed purchase.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the county budget commission. No appropriations measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Total appropriations exceeded total estimated resources in the following fund:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Estimated Resources</u>	<u>Variance</u>
3901 Other Debt Service Fund	\$ 214,068	\$ 7,948	\$(206,120)

**FINDING NUMBER 2003-003
(Continued)**

This situation may lead to disbursements within said fund exceeding the actual revenue available. Also, the Village did not file its appropriations with the county budget commission. This led to the Village not receiving a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

We recommend that Village Council and the Clerk/Treasurer monitor their budgetary cycle throughout the year to ensure that appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received. We also recommend that the Village file its appropriations with the county budget commission so as to obtain the certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

FINDING NUMBER 2003-004

Finding For Recovery – Payroll Overpayment – Repaid Under Audit

The Village of Lisbon Payroll Ordinance #1715, which became effective January 1, 2003, set the compensation of the Mayor's Secretary/Zoning Clerk at \$9.25 an hour.

During our review of the Village of Lisbon's payroll records for the Mayor's Secretary/Zoning Clerk Cheryl Mills from January 1, 2003 through December 31, 2003, it was noted that the Mayor's Secretary/Zoning Clerk, Cheryl Mills, was overpaid by one hundred sixty-five dollars (\$165.00). For the pay period ending April 12, 2003, the Mayor's Secretary/Zoning Clerk was compensated at a rate of \$12.00 an hour for 60 hours, which is \$2.75 an hour more than was authorized by the Village's Payroll Ordinance. This resulted in the Mayor's Secretary/Zoning Clerk receiving an overpayment of one hundred sixty-five dollars (\$165.00).

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Cheryl Mills, in the amount of one hundred sixty-five dollars (\$165.00), and in favor of the Village of Lisbon's General Fund. As of February 7, 2005, the Mayor's Secretary/Zoning Clerk Cheryl Mills has repaid the full amount of this finding for recovery.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	5705.14, Transfers were not always approved by Council.	No	Not Corrected, reissued as finding No. 2003-001.
2002-002	5705.41(D), funds must be certified before an expenditure is made.	No	Not Corrected, reissued as finding No. 2003-002.
2002-003	5705.41(B), expenditures exceeded appropriations.	No	Not Corrected. We reported this finding in the management letter with a different fund.
2002-004	5705.36 (A)(4), estimated receipts exceeded actual receipts.	Yes	Corrected.
2002-005	5705.39, appropriations shall not exceed the total of estimated revenue.	No	Not Corrected, reissued as finding No. 2003-003.



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**VILLAGE OF LISBON
COLUMBIANA 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
APRIL 5, 2005**