

***VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of North Lewisburg  
60 East Maple Street  
North Lewisburg, Ohio 43060

We have reviewed the *Report of Independent Accountants* of the Village of North Lewisburg, Champaign County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 to December 31, 2007. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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. The Village of North Lewisburg is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 5, 2008

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**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY  
For the Years Ending December 31, 2007 and 2006**

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of North Lewisburg  
Champaign County  
60 East Maple Street  
North Lewisburg, OH 43060

To Village Council:

We have audited the accompanying financial statements of the Village of North Lewisburg, Champaign County (the Village), as of and for the years ended December 31, 2007 and 2006. 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. We believe that 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 years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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 the 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 years ended December 31, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows 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 of the Village, as of December 31, 2007 and 2006, and its cash receipts and disbursements and changes in fund cash balances 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 years ended December 31, 2007 and 2006. 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 June 25, 2008, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

***Charles E. Harris & Associates, Inc.***

June 25, 2008



**VILLAGE OF NORTH LEWISBURG**  
**CHAMPAIGN COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property Taxes	\$ 24,229	19,198	\$ 43,427
Municipal Income Tax	191,272	-	191,272
Intergovernmental	43,118	47,035	90,153
Charges for Services	6,250	1,600	7,850
Fines, Licenses and Permits	17,108	1,450	18,558
Earning on Investment	43,780	3,336	47,116
Miscellaneous	13,947	-	13,947
<b>Total Receipts</b>	<b>339,704</b>	<b>72,619</b>	<b>412,323</b>
<b>Disbursements:</b>			
Security of Persons & Property	118,202	-	118,202
Leisure Time Activities	9,875	-	9,875
Public Health Services	6,853	-	6,853
Basic Utility Services	8,523	500	9,023
Transportation	-	67,218	67,218
General Government	193,348	-	193,348
Capital Outlay	2,345	23,581	25,926
<b>Total Disbursements</b>	<b>339,146</b>	<b>91,299</b>	<b>430,445</b>
<b>Total Receipts Over/(Under)</b>			
Disbursements	558	(18,680)	(18,122)
<b>Other Financing Sources/(Uses):</b>			
Other Financial Uses	(4,221)	-	(4,221)
<b>Total Other Financing Sources/(Uses)</b>	<b>(4,221)</b>	<b>-</b>	<b>(4,221)</b>
<b>Excess of Receipts and Other</b>			
<b>Sources Over/(Under) Disbursements</b>			
<b>and Other Uses</b>	<b>(3,663)</b>	<b>(18,680)</b>	<b>(22,343)</b>
<b>Fund Cash Balance, January 1, 2007</b>	<b>388,088</b>	<b>128,073</b>	<b>516,161</b>
<b>Fund Cash Balance, December 31, 2007</b>	<b>\$ 384,425</b>	<b>\$ 109,393</b>	<b>\$ 493,818</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH LEWISBURG**  
**CHAMPAIGN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES -PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2007**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 483,101	\$ -	\$ 483,101
Miscellaneous	474	-	474
<b>Total Operating Cash Receipts</b>	<u>483,575</u>	<u>-</u>	<u>483,575</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	89,970	-	89,970
Employee Fringe Benefits	13,242	-	13,242
Contractual Services	44,907	-	44,907
Material and Supplies	77,197	-	77,197
Capital Outlay	1,872,892	-	1,872,892
Other	7,071	-	7,071
<b>Total Operating Cash Disbursements</b>	<u>2,105,279</u>	<u>-</u>	<u>2,105,279</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<u>(1,621,704)</u>	<u>-</u>	<u>(1,621,704)</u>
<b>Non-Operating Receipts/Disbursements:</b>			
Non-Operating Receipts	-	37,958	37,958
Non-Operating Disbursements	-	(37,958)	(37,958)
Intergovernmental	16,689	-	16,689
Special Assesment	10,898	-	10,898
Proceeds of Loans	1,796,798	-	1,796,798
Redemption of Principal	(168,077)	-	(168,077)
Interest and Other Fiscal Charges	(68,591)	-	(68,591)
<b>Total Nonoperating Disbursements</b>	<u>1,587,717</u>	<u>-</u>	<u>1,587,717</u>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<u>(33,987)</u>	<u>-</u>	<u>(33,987)</u>
<b>Fund Cash Balance, January 1, 2007</b>	<u>529,738</u>	<u>-</u>	<u>529,738</u>
<b>Fund Cash Balance, December 31, 2007</b>	<u>\$ 495,751</u>	<u>\$ -</u>	<u>\$ 495,751</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property Taxes	\$ 24,169	\$ -	\$ 24,169
Municipal Income Tax	191,163	-	191,163
Charges for Services	6,250	-	6,250
Intergovernmental	31,251	57,154	88,405
Special Assesment	20	-	20
Fines, Licenses and Permits	21,169	41,837	63,006
Charges for Services	-	5,620	5,620
Earnings on Investments	27,572	5,841	33,413
Miscellaneous	20,885	2,562	23,447
<b>Total Receipts</b>	<b>322,479</b>	<b>113,014</b>	<b>435,493</b>
<b>Disbursements:</b>			
Security of Persons & Property	106,846	-	106,846
Leisure Time Activities	6,116	-	6,116
Public Health Service	4,519	-	4,519
Transportation	2,519	116,316	118,835
General Government	170,340	10,340	180,680
Capital Outlay	6,000	-	6,000
Basic Utility Services	-	1,274	1,274
<b>Total Disbursements</b>	<b>296,340</b>	<b>127,930</b>	<b>424,270</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>26,139</b>	<b>(14,916)</b>	<b>11,223</b>
<b>Fund Cash Balance, January 1, 2006</b>	<b>361,949</b>	<b>142,989</b>	<b>504,938</b>
<b>Fund Cash Balance, December 31, 2006</b>	<b>\$ 388,088</b>	<b>\$ 128,073</b>	<b>\$ 516,161</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH LEWISBURG**  
**CHAMPAIGN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES -PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2006**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Receipts:</b>			
Charges for Services	\$ 485,346	\$ -	\$ 485,346
Miscellaneous	17,662	-	17,662
<b>Total Receipts</b>	<u>503,008</u>	<u>-</u>	<u>503,008</u>
<b>Disbursements:</b>			
Personal Services	92,288	-	92,288
Contractual Services	124,722	-	124,722
Material and Supplies	41,456	-	41,456
Capital Outlay	560,762	-	560,762
Other	610	-	610
<b>Total Disbursements</b>	<u>819,838</u>	<u>-</u>	<u>819,838</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<u>(316,830)</u>	<u>-</u>	<u>(316,830)</u>
<b>Non-Operating Receipts/Disbursements:</b>			
Non-Operating Receipts	-	21,723	21,723
Non-Operating Disbursements	-	(21,723)	(21,723)
Proceeds of Loans	560,712	-	560,712
Redemption of Principal	(160,675)	-	(160,675)
Interest and Other Fiscal Charges	(74,757)	-	(74,757)
<b>Total Non-Operating Receipts/Disbursements</b>	<u>325,280</u>	<u>-</u>	<u>325,280</u>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<u>8,450</u>	<u>-</u>	<u>8,450</u>
<b>Fund Cash Balance, January 1, 2006</b>	<u>521,288</u>	<u>-</u>	<u>521,288</u>
<b>Fund Cash Balance, December 31, 2006</b>	<u>\$ 529,738</u>	<u>\$ -</u>	<u>\$ 529,738</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of North Lewisburg, Champaign County, (the Village) is a body corporate and politic established for the purpose of exercising 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 (leisure time activities). The Village contracts with the Champaign 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 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.)

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

**C. CASH AND INVESTMENTS**

Certificates of deposit are valued at cost.

**D. FUND ACCOUNTING**

The Village uses fund accounting to segregate cash and investments that are restricted to use. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Village classifies its funds into the following types:

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

**VILLAGE OF NORTH LEWISBURG**  
**CHAMPAIGN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

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

**D FUND ACCOUNTING** – (Continued)

**Special Revenue Funds:** These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures 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 Highway Fund:** This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village highways.
- **Permissive Motor Vehicle License Tax Fund:** This fund receives motor vehicle tax money for constructing, maintaining and repairing Village streets.
- **Impact Fee Fund:** This fund is used to account for all financial resources restricted to the construction of new residential properties within the Village.
- **Mayor Computer Fund:** This fund receives portion of Mayor's Court receipts for purchasing, maintaining and repairing of Mayor's Court computer equipment.

**Enterprise Fund:** 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 Fund:** This fund receives charges for services from residents to cover the cost of providing this utility.
- **Sewer Fund:** This fund receives charges for services from residents to cover the cost of providing this utility.
- **Utility Service Fund:** This fund receives deposits from residents to cover the cost of providing this utility.

**Fiduciary Fund (Agency Fund):** Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

- **Mayor's Court Fund:** This fund is utilized to account for court fines and the distribution of court fines to the appropriate jurisdiction.

**E. BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund (except agency funds) be budgeted annually.

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

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

**E. BUDGETARY PROCESS – (Continued)**

• **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object 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 and are re-appropriated.

• **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. Appropriation may not exceed estimated resources.

• **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 re-appropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 5.

**F PROPERTY, PLANT, AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as capital outlay 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.

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

The Village maintains a cash and investment 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:

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

**2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)**

		<u>2007</u>		<u>2006</u>
Demand Deposits	\$	576,847	\$	631,681
Certificates of Deposit		412,722		412,722
Cash on Hand		-		1,496
<b>Total Deposits</b>	<b>\$</b>	<b><u>989,569</u></b>	<b>\$</b>	<b><u>1,045,899</u></b>

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

**3. PROPERTY TAXES**

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The Champaign County Treasurer collects property tax on behalf of all taxing Villages within the county. The Champaign County Auditor periodically remits to the taxing Village their portions of the taxes collected.

**4. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 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's third party administrator, Regional Income Tax Authority, either monthly or quarterly, as required. The Regional Income Tax Authority remits collected taxes to the Village monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.



**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

**5. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

<b>2007 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 309,369	\$ 339,704	\$ 30,335
Special Revenue	93,453	72,619	(20,834)
Enterprise	608,500	2,307,960	1,699,460
<b>Total</b>	<b>\$ 1,011,322</b>	<b>\$ 2,720,283</b>	<b>\$ 1,708,961</b>

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 492,672	\$ 343,367	\$ 149,305
Special Revenue	204,200	91,299	112,901
Enterprise	725,647	2,341,947	(1,616,300)
<b>Total</b>	<b>\$ 1,422,519</b>	<b>\$ 2,776,613</b>	<b>\$ (1,354,094)</b>

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 307,459	\$ 322,479	\$ 15,020
Special Revenue	63,600	113,014	49,414
Enterprise	485,500	1,063,720	578,220
<b>Total</b>	<b>\$ 856,559</b>	<b>\$ 1,499,213</b>	<b>\$ 642,654</b>

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 412,365	\$ 296,340	\$ 116,025
Special Revenue	185,050	127,930	57,120
Enterprise	541,222	1,055,270	(514,048)
<b>Total</b>	<b>\$ 1,138,637</b>	<b>\$ 1,479,540</b>	<b>\$ (340,903)</b>

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Sewer Bonds	\$ 40,000	6.5-7.125%
Ohio Water Development Authority Loan -Sewer - #2430	315,919	5.20%
Ohio Public Works Commission Loan-Sewer - # CK331	165,000	0.00%
Ohio Public Works Commission Loan-Water # CK905	186,735	0.00%
Ohio Water Development Authority Loan - Sewer - #4527	2,357,510	2.65%
Mortgage Refunding Revenue Bonds	827,000	5.25%
<b>Total</b>	<b><u>\$ 3,892,164</u></b>	

On August 1, 1989, the Village issued \$240,000 of general obligation sewer bonds for the construction of a sewer treatment plant. The bonds are redeemed in annual principal and semiannual interest payments. The bonds mature on August 1, 2009. The debt is to be repaid with user fees. The general obligation bonds are collateralized by the Village's taxing authority.

The Ohio Water Development Authority (OWDA) loans relate to the construction of the wastewater treatment facilities, a water supply well, and a water main. On October 24, 1991 the Village borrowed \$895,659 (loan # 2430) for the construction of the wastewater treatment facilities, which is to be repaid with semi-annual payments over 20 years. On May 25, 2006 the Village secured a loan # 4527 in the amount of \$2,693,378 for the wastewater treatment facilities expansion, which as of December 31, 2007, had a balance of \$2,357,510. The construction is still in progress. All of these debt issues are to be repaid with user fees.

The Ohio Public Works Commission (OPWC) loans relate to the wastewater treatment plant and water system improvements projects. On July 31, 1991 the Village borrowed \$600,000 (loan # CK331) for its wastewater treatment plant improvements project, which is to be repaid with semi-annual payments over 20 years. On July 1, 1995 the Village borrowed \$393,127 (loan # CK905) for its water system improvements project, which is to be repaid with semi-annual payments over 20 years. Both of these issues are to be repaid with user fees.

On December 18, 1995 the Village issued \$1,450,000 of mortgage revenue bond for the purpose of paying the costs of certain waterworks system improvements. On October 20, 2003 the Village issued \$1,024,000 of mortgage revenue refunding bonds for the purpose of refunding the outstanding balance of the Village's mortgage revenue bonds dated December 18, 1995. The bonds are redeemed in semiannual payments of varying principal and interest amounts. The bonds mature December 1, 2020. The debt is to be repaid with user fees.

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

**6. DEBT – (Continued)**

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

Year Ending December 31:	<u>Long-Term Debt</u>
2008	\$ 234,489
2009	233,650
2010	211,652
2011	210,975
2012	212,193
2013-2017	549,635
2018-2020	267,830
	<u>\$ 1,920,424</u>

OWDA has not prepared an amortization schedule for Loan # 4527.

**7. RETIREMENT SYSTEM**

All Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Those who do not belong to OPERS elected to enroll in Social Security. The Village's liability is 6.2 percent of wages paid.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OPERS contributed 9.5 percent and 9.0 percent, respectively, of their wages. The Village contributes an amount equal to 13.85 percent and 13.70 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**8. RISK MANAGEMENT**

Up until August 26, 2006, the Village belonged to the Ohio Municipal Joint Self-Insurance Pool, (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. The Pool cedes certain premiums to reinsures or excess reinsures. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations. The Pool's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained deficit at December 31, 2006 and 2005 (latest information available):

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

**8. RISK MANAGEMENT - (Continued)**

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 2,390,150	\$ 1,811,340
Liabilities	(3,424,271)	(3,653,152)
<b>Retained Earnings</b>	<b>\$ (1,034,121)</b>	<b>\$ (1,841,812)</b>

Effective August 26, 2006, the Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible. The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>3,329,620</u>	<u>2,748,639</u>
Member's Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

**9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**10. BUDGETARY NONCOMPLIANCE**

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures that exceeded appropriations.
- Contrary to **Ohio Rev. code Section 5705.36**, the Village did not request an amended certificate of resources when it was determined that collections would be less than the budgeted amount.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of North Lewisburg  
Champaign County  
60 East Maple Street  
North Lewisburg, OH 43060

To the Village Council:

We have audited the financial statements of the Village of North Lewisburg, Champaign County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 25, 2008, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying Schedule of Findings, items 2007-VNLCC-001 thru 003 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe items 2007-VNLCC-001 and 002 described above to be material weaknesses.

#### Compliance and Other Matters

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, grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-VNLCC-001 thru 003.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Village in a separate letter dated June 25, 2008.

This report is intended solely for the information and use of the audit committee, management and the Village Council. It is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris & Associates, Inc.***

June 25, 2008

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 & 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-VNLCC-001  
Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2007:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
Enterprise Fund			
Sewer Operating	\$ 466,892	\$ 2,127,961	\$ (1,661,069)

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2006:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
Enterprise Fund			
Sewer Operating	\$302,083	\$ 862,795	\$ (560,712)

The Clerk-Treasurer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend Village Council and the Clerk-Treasurer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

The Clerk-Treasurer will review budgetary requirements and implement as necessary.

**FINDING NUMBER 2007-VNLCC-002**

**Noncompliance Citation and Material Weakness**

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2007 & 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2007-VNLCC-002  
(Continued)**

**Noncompliance Citation and Material Weakness**

The Village applied for and received loans through the Ohio Water Development Authority (OWDA) for improvements to the wastewater treatment plant. The project was administered by OWDA and the financial activity during 2006 and 2007 was not recorded on the Village's books. As a result, expenditures of \$1,796,798 during 2007 and \$560,712 during 2006 were made on the Village's behalf but were not appropriated. Construction was ongoing at December 31, 2007.

Loan proceeds received by the Village during 2007 and 2006 and related expenditures made on the Village's behalf by OWDA were not recorded on the Village's books. As a result, the financial activity of the Village was understated for 2007 and 2006. The Village understated receipts, during 2007, by \$1,796,798 and also understated disbursements by \$1,796,798. The Village understated receipts, during 2006, by \$560,712 and also understated disbursements by \$560,712. The accompanying financial statements have been adjusted to reflect correct amounts. The Village is in agreement with this adjustment.

The Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend the Village record all transactions made on behalf of the Village in each fund. The Village should refer to Auditor of State Bulletin 2000-08 for additional guidance in accounting for these projects.

The Clerk-Treasurer will review current projects to determine the amount of payments made on the Village's behalf and include this amount as a receipt and disbursement as well as obtaining an amended certificate of estimated resources and approving additional appropriations.



**VILLAGE OF NORTH LEWISBURG  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2007 & 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2007-VNLCC-003**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.36** allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The following funds had actual revenues which were less than budgeted revenues in the following amounts at December 31:

	<b>2007</b>
Special Revenue Fund	
Special-Local Road	\$ (11,887)

By not amending its certificate of estimated resources, the Village cannot make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Village Council should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

The Clerk-Treasurer will review budgetary requirements and implement as necessary.

## **SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit, for the years ended December 31, 2005 and 2004, reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF NORTH LEWISBURG**

**CHAMPAIGN COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 18, 2008**