

***VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO***

***AUDIT REPORT***

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

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





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Lisbon  
203 North Market St.  
Lisbon, Ohio 44432

We have reviewed the *Report of Independent Accountants* of the Village of Lisbon, Columbiana County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through 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 Lisbon is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 22, 2009

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**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Audit Report  
For the Years Ended 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 Lisbon  
Columbiana County  
203 North Market St.  
Lisbon, Ohio 44432

To the Village Council:

We have audited the accompanying financial statements of the Village of Lisbon, Columbiana County, Ohio (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 of Lisbon, Columbiana County, as of December 31, 2007 and 2006, and its combined 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 17, 2009, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

June 17, 2009

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

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
<b>Receipts:</b>					
Property and Local Taxes	\$ 47,143	\$ 75,312	\$ 20,626	\$ -	\$ 143,081
Municipal Income Taxes	1,029,154	-	-	-	1,029,154
Intergovernmental	185,620	168,205	36,558	-	390,383
Charges For Services	32,874	68,885	-	-	101,759
Fines, Licenses and Permits	13,239	-	-	-	13,239
Earnings on Investments	-	14,341	-	13,908	28,249
Miscellaneous	3,730	-	-	-	3,730
<b>Total Receipts</b>	<b>1,311,760</b>	<b>326,743</b>	<b>57,184</b>	<b>13,908</b>	<b>1,709,595</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Security of Persons & Property	752,265	7,656	1,383	-	761,304
Public Health Services	-	149,147	-	-	149,147
Leisure Time Activities	18,094	-	-	-	18,094
Community Environment	26,241	-	-	-	26,241
Transportation	1,360	348,713	106	-	350,179
General Government	505,191	20,090	-	-	525,281
Capital Outlay	-	-	-	165,822	165,822
<b>Debt Service:</b>					
Principal Payment	30,188	1,837	82,937	-	114,962
Interest and Fiscal Charges	35,260	881	15,971	-	52,112
<b>Total Disbursements</b>	<b>1,368,599</b>	<b>528,324</b>	<b>100,397</b>	<b>165,822</b>	<b>2,163,142</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(56,839)</b>	<b>(201,581)</b>	<b>(43,213)</b>	<b>(151,914)</b>	<b>(453,547)</b>
<b>Other Financing Sources/(Uses)</b>					
Transfers-In	-	178,721	31,537	44,900	255,158
Other Financing Sources	83,907	24,784	5,809	-	114,500
Transfers-Out	(266,758)	-	-	(20,000)	(286,758)
Sale of Capital Assets	-	-	-	78,470	78,470
<b>Total Other Financing Sources/(Uses)</b>	<b>(182,851)</b>	<b>203,505</b>	<b>37,346</b>	<b>103,370</b>	<b>161,370</b>
<b>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	<b>(239,690)</b>	<b>1,924</b>	<b>(5,867)</b>	<b>(48,544)</b>	<b>(292,177)</b>
<b>Fund Cash Balances, January 1, 2007</b>	<b>(203,295)</b>	<b>516,836</b>	<b>98,441</b>	<b>220,773</b>	<b>632,755</b>
<b>Fund Cash Balances, December 31, 2007</b>	<b>\$ (442,985)</b>	<b>\$ 518,760</b>	<b>\$ 92,574</b>	<b>\$ 172,229</b>	<b>\$ 340,578</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN FUND CASH BALANCES ·**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2007**

		<u>Proprietary Fund Type</u>
		<u>Enterprise</u>
<b>Receipts:</b>		
Charges for Services	\$	1,029,682
Earnings on Investments		2,504
Special Assessments		22,741
<b>Total Receipts</b>		<u>1,054,927</u>
<b>Disbursements:</b>		
Personal Services		201,628
Employee Fringe Benefits		97,646
Contractual Services		2,017,668
Materials and Supplies		452,352
<b>Total Disbursements</b>		<u>2,769,294</u>
<b>Excess of Receipts Over (Under) Disbursements</b>		<b>(1,714,367)</b>
<b>Nonoperating Receipts (Disbursements):</b>		
Proceeds of Loan		1,475,811
Other Nonoperating Receipts		127,453
<b>Debt Service:</b>		
Principal Payment		(143,232)
Interest and Fiscal Charges		(46,705)
<b>Total Nonoperating Receipts (Disbursements)</b>		<u>1,413,327</u>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers</b>		<b>(301,040)</b>
Transfers-In		31,600
<b>Net Receipts Over/(Under) Disbursements</b>		<u>(269,440)</u>
<b>Fund Cash Balances, January 1, 2007</b>		<u>551,874</u>
<b>Fund Cash Balances, December 31, 2007</b>	<b>\$</b>	<u><u>282,434</u></u>

See Accompanying Notes to the Financial Statements.

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

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
<b>Receipts:</b>					
Property and Local Taxes	\$ 105,484	\$ 134,822	\$ 54,229	\$ -	\$ 294,535
Municipal Income Taxes	1,030,362	-	-	-	1,030,362
Intergovernmental	86,154	112,621	-	-	198,775
Charges For Services	25,601	64,702	-	-	90,303
Fines, Licenses and Permits	14,875	-	-	-	14,875
Earnings on Investments	-	5,833	-	5,752	11,585
Miscellaneous	4,833	-	-	37,477	42,310
<b>Total Receipts</b>	<b>1,267,309</b>	<b>317,978</b>	<b>54,229</b>	<b>43,229</b>	<b>1,682,745</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Security of Persons & Property	661,295	9,272	1,080	-	671,647
Public Health Services	-	174,201	-	-	174,201
Leisure Time Activities	11,893	-	-	-	11,893
Community Environment	24,130	-	-	-	24,130
Transportation	1,344	398,795	210	-	400,349
General Government	460,554	189	-	815,880	1,276,623
Capital Outlay	-	-	287,823	185,735	473,558
<b>Debt Service:</b>					
Principal Payment	-	1,837	31,691	23,780	57,308
Interest and Fiscal Charges	-	881	-	-	881
<b>Total Disbursements</b>	<b>1,159,216</b>	<b>585,175</b>	<b>320,804</b>	<b>1,025,395</b>	<b>3,090,590</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>108,093</b>	<b>(267,197)</b>	<b>(266,575)</b>	<b>(982,166)</b>	<b>(1,407,845)</b>
<b>Other Financing Sources/(Uses)</b>					
Proceeds of Loan	250,000	-	286,202	400,000	936,202
Transfers-In	-	202,000	19,894	452,649	674,543
Other Financing Sources	77,987	22,699	5,815	4,300	110,801
Transfers-Out	(666,209)	(11,584)	-	(15,000)	(692,793)
Other Financing Uses	(12,451)	-	-	-	(12,451)
<b>Total Other Financing Sources/(Uses)</b>	<b>(350,673)</b>	<b>213,115</b>	<b>311,911</b>	<b>841,949</b>	<b>1,016,302</b>
<b>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	<b>(242,580)</b>	<b>(54,082)</b>	<b>45,336</b>	<b>(140,217)</b>	<b>(391,543)</b>
<b>Fund Cash Balances, January 1, 2006</b>	<b>39,285</b>	<b>570,918</b>	<b>53,105</b>	<b>360,990</b>	<b>1,024,298</b>
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$ (203,295)</b>	<b>\$ 516,836</b>	<b>\$ 98,441</b>	<b>\$ 220,773</b>	<b>\$ 632,755</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN FUND CASH BALANCES -**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2006**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Receipts:</b>	
Charges for Services	\$ 1,048,874
Earnings on Investments	5,410
Special Assessments	15,916
<b>Total Receipts</b>	<b>1,070,200</b>
<b>Disbursements:</b>	
Personal Services	184,004
Employee Fringe Benefits	80,133
Contractual Services	944,668
Materials and Supplies	295,630
<b>Total Disbursements</b>	<b>1,504,435</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(434,235)</b>
<b>Nonoperating Receipts (Disbursements):</b>	
Proceeds of Loan	810,610
Other Nonoperating Receipts	128,860
Capital Outlay	(14,314)
<b>Debt Service:</b>	
Principal Payment	(522,838)
Interest and Fiscal Charges	(27,591)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>374,727</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers</b>	<b>(59,508)</b>
Transfers-In	25,000
Transfers-Out	(6,750)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>(41,258)</b>
<b>Fund Cash Balances, January 1, 2006</b>	<b>593,132</b>
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$ 551,874</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LISBON**  
**COLUMBIANA 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 Lisbon, (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 general government, water and sewer utilities, street repair and maintenance, park and cemetery operations and police and fire services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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

Investments are included in the fund cash balances. 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 maintains its accounting records in accordance with the principles of "Fund" accounting. 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 restrictions associated with each class of funds are as follows:

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. FUND ACCOUNTING - (Continued)

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

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. Significant special revenue funds follow:

- Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.
- Cemetery Fund – This fund receives charges for services from citizens for the purchase of cemetery plots and burials.
- Cemetery Endowment Fund – This fund receives monies from interest on investments and thirty percent of the sale of lots for the future care of the cemetery.

Debt Service Fund: These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

- General Obligation Debt Service Fund - This fund is used to accumulate funds and make payments on outstanding debt of the Village.

Capital Project Fund: 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:

- Capital Improvement Fund – This fund receives proceeds from the General fund. The proceeds are being used to construct numerous projects throughout the Village.
- Building Fund – This fund accounts for receipts and disbursements designated for the construction of the new Village hall.

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 has the following significant Enterprise Funds:

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

**VILLAGE OF LISBON**  
**COLUMBIANA 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)

- Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.
- Parking Fund – This fund accounts for the receipts from the various parking meters throughout the Village.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. The county auditor prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the County Budget Commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the County Budget Commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2007 and 2006.

Budget receipts, as shown in footnote number 5, do not include the unencumbered fund balances as of January 1, 2007 and 2006. However, those fund balances are available for appropriation.

**VILLAGE OF LISBON**  
**COLUMBIANA 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)

2. 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. A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end are carried forward to the subsequent year and need not be reappropriated.

A summary of 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 termination of 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, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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:

	2007	2006
Demand deposits	\$ 170,012	\$ 681,629
Certificates of Deposit	453,000	503,000

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

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2006.

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.

The State Board of Tax Equalization adjusts the tax rates for inflation. 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.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 and 1/2 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.

Total income taxes collected in 2007 and in 2006 were \$1,029,154 and \$1,030,362, respectively.

5. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2007 follows:

<u>2007 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 1,366,750	\$ 1,395,667	\$ 28,917
Special Revenue Funds	831,571	530,248	(301,323)
Debt Service Funds	-	94,530	94,530
Capital Project Funds	200,000	137,278	(62,722)
Enterprise Funds	1,257,201	2,689,791	1,432,590

<u>2007 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Fund</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Disbursements</u>	
General Fund	\$ 1,893,648	\$ 1,635,357	\$ 258,291
Special Revenue Funds	683,422	528,324	155,098
Debt Service Funds	116,967	100,397	16,570
Capital Projects Funds	592,159	185,822	406,337
Enterprise Funds	1,674,908	2,959,231	(1,284,323)

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

5. BUDGETARY ACTIVITY – (Continued)

Budgetary activity for the year ended December 31, 2006 follows:

<u>2006 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General Fund	\$ 1,680,178	\$ 1,595,296	\$ (84,882)
Special Revenue Funds	528,441	542,677	14,236
Debt Service Funds	1,133,200	366,140	(767,060)
Capital Project Funds	10,030	900,178	890,148
Enterprise Funds	1,243,000	2,034,670	791,670

<u>2006 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Fund</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Disbursements</u>	<u>Variance</u>
General Fund	\$ 2,029,003	\$ 1,837,876	\$ 191,127
Special Revenue Funds	969,215	596,759	372,456
Debt Service Funds	365,780	320,804	44,976
Capital Project Funds	1,300,000	1,040,395	259,605
Enterprise Funds	2,263,914	2,075,928	187,986

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

6. DEFINED BENEFIT PENSION PLANS – (Continued)

For the year ended December 31, 2007, members were required to contribute 9.5 percent of their annual covered salaries and the Village's contribution rate for 2007 was 13.85 percent. For the year ended December 31, 2006, members were required to contribute 9.0 percent of their annual covered salaries and the Village's contribution rate for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village has paid all contributions required through December 31, 2007.

Ohio Police and Fire Pension Fund

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the Village is required to contribute 19.5 percent for police for 2007 and 2006. Contributions are authorized by State statute. The Village's full contributions amount has been contributed through December 31, 2007

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, 2006 through December 31, 2007, 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, 2007.

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
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**For the Years Ended December 31, 2007 and 2006**

7. DEBT

Debt outstanding at December 31, 2007 is as follows:

Description	Principal	Interest Rate
OPWC Issue II Loan	\$ 411,987	0.00%
Waterworks System Improvement Bonds	20,000	6.88%
OWDA Water Extension	12,343	10.98%
OWDA Loan	173,449	4.18%
Water System Improvement Bonds	143,171	5.50%
Ford Credit 2004 F-150	1,531	19.49%
1st National Bank (Dumptruck)	11,313	5.00%
OWDA Loan # 4289	97,284	2.00%
Fire Truck	234,956	5.50%
Village Hall	596,033	6.00%
OWDA Loan # 4574	1,853,994	2.00%
	\$ 3,556,061	

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 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 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.

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

7. DEBT – (Continued)

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 Ford Motor Credit Co. Loan relates to the 2004 purchase of a Ford F-150 for general government use. The loan will be repaid in monthly installments of \$226, including interest, at a rate of 19.49% over four years.

The 1<sup>st</sup> National Community Bank. Loan relates to the 2005 purchase of a Dumptruck for general government use. The loan will be repaid in monthly installments of \$437, including interest, at a rate of 5.00% over five years.

The OWDA Loan #4289 relates to a water plant design. The OWDA approved up to \$197,671 in loans to the Village for this project in 2005. The loan will be repaid in semiannual installments, including interest, at a rate of 2.00%, over 5 years. As of the date of this report, the Village has not withdrawn the total amounts approved therefore no amortization schedule is available. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Fire truck loan relates to a loan from 1st National Community Bank to purchase a new fire truck for the Village in 2006 after a levy was placed on the ballot for approval. The loan is paid in yearly installments, including interest at a rate of 5.50% over 5 years. The loan is collateralized by Real Estate Taxes collected from a levy.

The Village Hall loan relates to a loan from 1st National Community Bank to construct the new Village Hall. The loan is paid in monthly installments of \$7,650, including interest at a rate of 6.00% over 15 years.

The OWDA Loan #4574 relates to a new EPA mandated Water Filtration plant. The OWDA approved up to \$2,195,318 in loans to the Village for this project in 2008. The loan will be repaid in semi-annual installments, including interest at a rate of 2.00% over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements.

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

7. DEBT - (Continued)

Principal and interest requirements for debt outstanding at December 31, 2007 is as follows:

Year Ended:	OPWC Issue II Loan	Waterworks System Improvement Bonds	OWDA Water Extension	OWDA Loan	Water System Improvement Bonds	Ford Credit 2004 Ford F150
2008	\$ 31,691	\$ 11,365	-	\$ 28,836	\$ 53,067	\$ 2,265
2009	31,691	10,688	\$ 13,697	28,836	53,067	-
2010	31,691	-	-	28,836	44,912	-
2011	31,691	-	-	28,836	-	-
2012	31,691	-	-	28,836	-	-
2013-2017	158,455	-	-	57,672	-	-
2018-2022	95,077	-	-	-	-	-
<b>Total</b>	<b>\$ 411,987</b>	<b>\$ 22,053</b>	<b>\$ 13,697</b>	<b>\$ 201,852</b>	<b>\$ 151,046</b>	<b>\$ 2,265</b>

Year Ended:	1st National Community Bank	OWDA Loan Water Plant Design	Fire Truck	Village Hall	OWDA # 4574	Total Payments Required
2008	\$ 5,243	\$ 20,893	\$ 67,217	\$ 65,448	\$ 66,860	\$ 352,885
2009	5,243	41,786	67,217	65,448	133,720	451,393
2010	1,311	41,786	67,217	65,448	133,720	414,921
2011	-	-	67,217	65,448	133,720	326,912
2012	-	-	-	65,448	133,720	259,695
2013-2017	-	-	-	327,240	668,600	1,211,967
2018-2022	-	-	-	327,240	668,600	1,090,917
2023-2027	-	-	-	-	668,600	1,471,500
<b>Total</b>	<b>\$ 11,797</b>	<b>\$ 104,465</b>	<b>\$ 268,868</b>	<b>\$ 981,720</b>	<b>\$ 2,607,540</b>	<b>\$ 5,580,190</b>

**VILLAGE OF LISBON**  
**COLUMBIANA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public officials' liability
- Vehicles
- Errors and omissions
- Commercial inland marine
- Employer's liability
- Employee benefits liability
- Crime

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the Village did not reduce the limits of liability significantly in the current period.

9. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

10. INTERFUND TRANSFERS

Transfers were made from the General Fund to various other funds to subsidize operations in accordance with legal requirements. Transfers were also made from various capital improvement and special revenue funds for debt payments or those funds' share of capital improvements. The transfers presented in the financial statements were made in accordance with Ohio Revised Code requirements, except for some that did not have proper Council approval.

11. BUDGETARY NONCOMPLIANCE

The following is a list of material budgetary noncompliance:

- 5705.36, Village had various funds' actual receipts fall below estimated receipts and that deficiency reduced estimated resources below appropriations.
- 5705.39, Village had various funds' appropriations exceed estimated resources.
- 5705.41(B), Village had a fund's expenditures exceed appropriations.
- 5705.41(D), Village did not properly certify purchases in all instances.
- 5705.14, .15, .16, Village had various improper transfers or transfers that were not approved by Council.
- 5705.10, Village had negative fund balance in the General Fund for 2006 and 2007.

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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 Lisbon  
Columbiana County  
203 North Market St.  
Lisbon, Ohio 44432

To the Village Council:

We have audited the financial statements of the Village of Lisbon, Columbiana County Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 17, 2009, 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 have 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 2007-001 through 2007-007 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. We believe the significant deficiencies 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 instances of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as items 2007-001, 002, 004, 005, 008, 009 and 010.

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.

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

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

June 17, 2009

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2007-001**

**Noncompliance Citation and Material Weakness**

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 council. 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 60% of the transfers in our testing sample throughout the years without specific resolutions being passed by Council authorizing such transactions.

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

Management is reviewing the transfer approval process to ensure future compliance.

**Finding Number 2007-002**

**Noncompliance Citation and Material Weakness**

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 certificate 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 ordinance or resolution within 30 days from the receipt of such certificate.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Amounts of less than \$3,000 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.

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. 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, 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 2007 and 2006. This occurred in 43% of the expenditures tested for 2007 and 2006. 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.

Management is currently correcting this issue by developing a process to control the purchase order process.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2007-003**

**Material Weakness**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank and investment statements and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. Throughout the audit period, monthly reconciliations were not performed to include the investment accounts which caused significant difference between the entity's records and the statement balances.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner. In addition, the lack of legislative monitoring may lead to errors, irregularities or misappropriation of Village assets, and untimely audit reports.

The Clerk-Treasurer should perform and complete monthly bank reconciliations in a timely manner. In addition, a copy of each monthly bank reconciliation along with a complete listing of reconciling items (outstanding checks, posting errors, bank coding errors, etc.) along with the bank and investment statements and supporting documents for the applicable month. The bank reconciliation should be included as part of the monthly financial package presented to the Village Council for review and approval. As part of this review Council should consider whether deposits and investments are allowable per the Ohio Revised Code. Furthermore, Village Council should document that it has reviewed the monthly financial package and reconciliations (e.g., sign and date the package and bank reconciliations). An independent firm was brought in to reconcile 2006 and 2007 and the adjustments are presented in this report.

Management concurs and will implement procedures to ensure that bank reconciliations are performed timely and accurately.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2007-004**

**Noncompliance Citation and Material Weakness**

Ohio Revised Code Section 5705.10 (H) states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund carried the following negative fund balances for the year ended December 31, 2006 and 2007:

2006    \$(203,295)	2007    \$(442,985)
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We recommend that the Village use funds from a specific fund only for which such fund has been established, so as to avoid having funds with negative fund balances and to comply with Ohio Revised Code Section 5705.10.

The Village recognizes the adverse effects of carrying negative fund balances and has eliminated such balances in accordance with O.R.C. section 5705.10 in 2009.

**Finding Number 2007-005**

**Noncompliance Citation and Material Weakness**

**Ohio Revised Code § 5705.14, § 5705.15 and § 5705.16** provide that no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- (A) The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
  
- (B) The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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- (C) The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund; provided that if such transfer is impossible by reason of the nonexistence of the fund to receive the transfer, such unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
  
- (D) The unexpended balance in any special fund, other than an improvement fund, existing in accordance with division (D), (F), or (G) of section 5705.09 or section 5705.12 of the Revised Code, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
  
- (E) Money may be transferred from the general fund to any other fund of the subdivision.
  
- (F) Moneys retained or received by a county under section 4501.04 (auto registration distribution fund), or division (A)(3) of section 5735.27 (gasoline excise tax fund) of the Revised Code may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.
  
- (G) Moneys retained or received by a municipal corporation under section 4501.04 (motor vehicle license tax), or division (A)(1) or (2) of section 5735.27 (motor vehicle fuel excise taxes) of the Revised Code may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.

Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required).

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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In addition to the transfers listed above, which are authorized in Ohio Revised Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

The Village made 10 transfers in 2006 and 4 transfers in 2007 into the general fund that were not made in accordance with the aforementioned requirements and were not utilized for a purpose related to the operations of the transferring fund.

In accordance with the foregoing facts, the adjustments below were made in favor of the following funds against the general fund in the financial statements and the Village’s records as follows:

	<u>2007</u>
Federal Grants	\$6,398
Police Disability and Pension Fund	55,474
Downtown Loan Phase I	14,781
General Obligation Bond Retirement	18,045
Other Debt Service	11,681
Capital Improvements	65,000
Water Operating	6,750
Parking	100,000
	<u>2006</u>
Street Construction and Maintenance	\$15,000
Capital Improvements	185,000
New Building Fund	10,159

Unauthorized transfers could result in the expenditure of public funds not for their specified purpose. We recommend that individual transfers be approved by resolution of Council to ensure that funds are being used for authorized and legal purposes. We also recommend the Village transfer all public funds according to the provisions set forth in Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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The Management as of the date of this report has taking the required step of petitioning the Court of Common Pleas for authorization of transfer where this was required along with Council approval. The step of receiving approval from the Court of Common Pleas was omitted in error.

**Finding Number 2007-006**

**Material Weakness**

The following adjustments were due to the improper recording of the purchase or closing of the Villages' certificates of deposit.

	<u>2007</u>	
Capital Improvement		\$(5,000)
To correct improper recording of CD interest.		
Water Operating		\$(50,000)
To correct the improper recording of a CD closing.		
Capital Improvement		\$(95,000)
To correct improper fund balance adjustment.		
	<u>2006</u>	
Cemetery Endowment Fund		\$198,000

We recommend the Village refer to the Uniform Accounting Network guidelines for the proper recording of investment purchases and redemptions. Adjustments were made in the financial statements and the Village's records.

Management failed to provide a response.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

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

**Finding Number 2007-007**

**Material Weakness**

The Village had significant posting errors of debt payments and loan proceeds during the fiscal years 2007 and 2006. These errors were the result of classification errors and the sources of revenue and inconsistencies when posting receipts and expenditures. The adjusting entries are as follows:

2006 Adjustments

General Fund

Other Financing Sources	\$250,000	
Proceeds of Loans		\$250,000
To properly record the proceeds of the New Building Loan		

Street Construction Maint.

Principal Payment	\$1,837	
Interest & Fiscal Charges	881	
Transportation Exp		\$2,718
To properly record a debt payment		

Fire Levy Real Debt Fund

Capital Outlay	\$287,823	
Interest & Fiscal Charges		\$287,823
To properly record a capital outlay expense		

New Building Capital Fund

Misc Receipts	\$400,000	
Proceeds of Loans		\$400,000
To properly record the proceeds of the New Building Loan		

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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New Building Capital Fund			
Principal Payment		\$23,780	
General Government			\$23,780
To properly record a debt payment			
Water Operating Fund			
Other Nonoperating Receipts		\$100,000	
Supplies & Materials			\$100,000
To reverse the improper record of a CD			
Principal Payment		\$1,966	
Interest & Fiscal Charges		983	
Supplies & Materials			2,949
To properly record a debt payment			
Contractual Services		\$300,000	
Interest & Fiscal Charges			\$300,000
To correct a contractual services payment			
Other Nonoperating Receipts		\$300,000	
Proceeds of Loans			\$300,000
To correct the recording of an OWDA loan received			
Principal Payment		\$383,289	
Interest & Fiscal Charges		1,569	
Proceeds of Loans			384,858
To properly record the rollover of an OWDA loan			
Contractual Services		\$38,232	
Proceeds of Loans			\$38,232
To record an OWDA loan received			
Sewer Operating			
Principal Payment		\$655	
Interest & Fiscal Charges		328	
Supplies & Materials			983
To properly record a debt payment			
Waste Water Improvement			
Contractual Services		\$87,520	
Proceeds of Loans			\$87,520
To record an OWDA loan received			

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

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

2007 Adjustments

General Fund

Principal Payment	\$30,188	
Interest & Fiscal Charges	35,260	
General Government		\$65,448
To properly record a debt payment		

Street Construction Maint.

Principal Payment	\$1,837	
Interest & Fiscal Charges	881	
Transportation		\$2,718
To properly record a debt payment		

Water Operating Fund

Principal Payment	\$2,622	
Interest & Fiscal Charges	4,919	
Supplies & Materials		7,541
To properly record a debt payment		
Contractual Services	\$1,475,811	
Proceeds of Loans		\$1,475,811
To record an OWDA loan received		

Sewer Operating

Principal Payment	\$655	
Interest & Fiscal Charges	328	
Supplies & Materials		\$983
To properly record a debt payment		

We recommend the Village use more caution when recording transactions and refer to the Village Officers' Handbook to ensure proper fund and transaction classification.

Management failed to provide a response.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2007-008**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds.

During the year ended December 31, 2007, the following fund's expenditures plus encumbrances exceeded total appropriations:

Enterprise Fund	
Water Operating Fund	(\$1,302,093)

The audit adjustment made to correct the Village not properly recording an OWDA loan in the amount of \$1,475,811 caused the variance in the water operating fund.

We recommend that the Village monitor expenditures plus encumbrances and their comparison to appropriations and only pass appropriation amendments during the year intended.

Management is aware of budgetary problems, many of which are caused by prior year adjustments, and are working to eliminate any budgetary issues in future audits.

**Finding Number 2007-009**

**Noncompliance Citation**

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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	Estimated Receipts	Actual Receipts	Variance
2007:			
Special Revenue Fund:			
Street Construction and Repair	\$650,000	\$348,610	(\$301,390)
Capital Project Fund:			
Capital Improvement	200,000	137,278	(62,722)
2006:			
General Fund	1,680,178	1,595,296	(84,882)

We recommend that the Village monitor estimated receipts and actual revenue. The Village should request the County issue an amended certificate of estimated resources when it is known actual revenue will fall below estimated revenue.

Management is aware of budgetary problems, many of which are caused by prior year adjustments, and are working to eliminate any budgetary issues in future audits.

**Finding Number 2007-010**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2007 and 2006, the following funds' appropriations exceeded total estimated resources:

2007

General Fund (\$730,193)

Special Revenue Funds:

State Highway Improvement (\$20,556)

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
Schedule of Findings – (continued)  
For the Years Ending December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Debt Service Funds:

Fire Levy Fund (\$17,185)  
OPWC Debt Fund (\$31,846)

Capital Project Funds:

Capital Improvement Fund (\$172,523)

2006

General Fund (\$309,540)

Special Revenue Funds:

Street Construction and Repair (\$251,538)

Capital Project Funds:

Capital Improvement Fund (\$164,602)  
New Building Fund (\$764,378)

Enterprise Funds:

Water Operating Fund (\$442,897)

We recommend that the Village monitor appropriations and estimated resources on a monthly basis.

Management is aware of budgetary problems, many of which are caused by prior year adjustments, and are working to eliminate any budgetary issues in future audits.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY, OHIO  
For the Years Ending December 31, 2007 and 2006**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2005-001	Improper interfund transfers without Council authorization.	No	Not corrected. Reissued as finding 2007-001.
2005-002	Lack of certifying funds when placing orders. Purchase orders dated after invoices.	No	Not corrected. Reissued as finding 2007-002.
2005-003	Total appropriations exceeding total estimated resources.	No	Not corrected. Reissued as finding 2007-010.



Mary Taylor, CPA  
Auditor of State

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  
OCTOBER 6, 2009