

**VILLAGE OF LYONS**  
**FULTON COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2005 AND 2004**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Lyons  
126 W. Morenci Street  
Lyons, Ohio 43533

We have reviewed the *Independent Auditor's Report* of the Village of Lyons, Fulton County, prepared by LublinSussman Group, LLP, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lyons is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 26, 2007

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## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	2-3
<b>FINANCIAL STATEMENTS</b>	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Funds - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Funds - For the Year Ended December 31, 2004.....	7
Notes to the Financial Statements.....	8-14
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....</b>	
	15-16

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## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Lyons  
Fulton County  
126 W. Morenci Street  
Lyons, OH 43533

We have audited the accompanying combined statements of cash receipts, cash disbursements, and changes in fund cash balances - all governmental fund types and proprietary fund types of the Village of Lyons, Fulton County, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 audits.

We conducted our audits 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' Governmental Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). The effects on the financial statements of these variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately beginning in 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraphs do 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 paragraph, the financial statements referred to above 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, 2005 and 2004, or its changes in financial position for the years then ended.

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- 2 -

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Lyons, Fulton County, as of December 31, 2005 and 2004, and their respective combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revisions to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America had 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 October 26, 2006, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 audits.

*Lublin Sussman Group LLP*

October 26, 2006  
Toledo, Ohio

**VILLAGE OF LYONS  
FULTON COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			<u>Totals</u> <u>(Memo.</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 52,565	\$ 9,955	\$ 0	\$ 62,520
Intergovernmental Receipts	62,756	24,118	168,513	255,387
Fines, Licenses, and Permits	680	0	0	680
Earnings on Investments	3,270	397	26	3,693
Miscellaneous	<u>2,365</u>	<u>8,699</u>	<u>0</u>	<u>11,064</u>
<b>Total Cash Receipts</b>	<b><u>121,636</u></b>	<b><u>43,169</u></b>	<b><u>168,539</u></b>	<b><u>333,344</u></b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	12,000	0	0	12,000
Leisure Time Activities	0	15,077	0	15,077
Community Environment	511	0	0	511
Basic Utility Services	2,513	0	0	2,513
Transportation	8,745	39,468	0	48,213
General Government	72,720	65	0	72,785
Capital Outlay	<u>0</u>	<u>0</u>	<u>164,050</u>	<u>164,050</u>
<b>Total Cash Disbursements</b>	<b><u>96,489</u></b>	<b><u>54,610</u></b>	<b><u>164,050</u></b>	<b><u>315,149</u></b>
<b>Total Receipts Over (Under) Disbursements</b>	<b><u>25,147</u></b>	<b><u>(11,441)</u></b>	<b><u>4,489</u></b>	<b><u>18,195</u></b>
<b>Other Financing Receipts (Disbursements):</b>				
Debt Proceeds	0	0	20,000	20,000
Transfers-In	0	11,425	0	11,425
Transfers-Out	0	0	(11,425)	(11,425)
Advances-In	12,000	0	3,000	15,000
Advances-Out	<u>(3,000)</u>	<u>0</u>	<u>(12,000)</u>	<u>(15,000)</u>
<b>Total Other Financing Receipts (Disbursements)</b>	<b><u>9,000</u></b>	<b><u>11,425</u></b>	<b><u>(425)</u></b>	<b><u>20,000</u></b>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>				
	34,147	(16)	4,064	38,195
<b>Fund Cash Balances, January 1</b>	<b><u>88,973</u></b>	<b><u>39,852</u></b>	<b><u>0</u></b>	<b><u>128,825</u></b>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 123,120</u></b>	<b><u>\$ 39,836</u></b>	<b><u>\$ 4,064</u></b>	<b><u>\$ 167,020</u></b>
<b>Reserves for Encumbrances, December 31</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>



**VILLAGE OF LYONS**  
**FULTON COUNTY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 306,630
Miscellaneous	<u>3,428</u>
Total Operating Cash Receipts	<u>310,058</u>
Operating Cash Disbursements:	
Personal Services	68,565
Fringe Benefits	18,937
Contractual Services	91,435
Supplies and Materials	18,470
Other	10,778
Capital Outlay	<u>5,200</u>
Total Operating Cash Disbursements	<u>213,385</u>
Operating Income	<u>96,673</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	500
Earnings on Investments	<u>2,361</u>
Total Non-Operating Cash Receipts	<u>2,861</u>
Non-Operating Cash Disbursements:	
Debt Service	15,000
Interest and Other Fiscal Charges	58,693
Other Non-Operating Cash Disbursements	<u>6,820</u>
Total Non-Operating Cash Disbursements	<u>80,513</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	19,021
Transfers-In	81,133
Transfers-Out	<u>(81,133)</u>
Net Receipts Over Disbursements	19,021
Fund Cash Balances, January 1	<u>356,348</u>
Fund Cash Balances, December 31	\$ <u>375,369</u>
Reserve for Encumbrances, December 31	\$ <u>0</u>

See Notes to Financial Statements

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

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memo. Only)
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 48,844	\$ 9,297	\$ 0	\$ 58,141
Intergovernmental Receipts	44,799	22,628	0	67,427
Fines, Licenses, and Permits	890	0	0	890
Earnings on Investments	2,886	399	0	3,285
Miscellaneous	4,160	13,826	0	17,986
<b>Total Cash Receipts</b>	<u>101,579</u>	<u>46,150</u>	<u>0</u>	<u>147,729</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	12,522	0	0	12,522
Leisure Time Activities	0	16,555	0	16,555
Community Environment	511	0	0	511
Basic Utility Services	2,585	0	0	2,585
Transportation	3,261	48,067	0	51,328
General Government	69,050	54	0	69,104
<b>Total Cash Disbursements</b>	<u>87,929</u>	<u>64,676</u>	<u>0</u>	<u>152,605</u>
<b>Total Receipts Over (Under) Disbursements</b>	<u>13,650</u>	<u>(18,526)</u>	<u>0</u>	<u>(4,876)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers-Out	0	0	(8,716)	(8,716)
Advances-In	11,081	11,081	0	22,162
Advances-Out	(11,081)	(11,081)	0	(22,162)
<b>Total Other Financing     Disbursements</b>	<u>0</u>	<u>0</u>	<u>(8,716)</u>	<u>(8,716)</u>
<b>Excess of Cash Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	13,650	(18,526)	(8,716)	(13,592)
<b>Fund Cash Balances, January 1</b>	<u>75,323</u>	<u>58,378</u>	<u>8,716</u>	<u>142,417</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 88,973</u>	<u>\$ 39,852</u>	<u>\$ 0</u>	<u>\$ 128,825</u>
<b>Reserves for Encumbrances, December 31</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See Notes to Financial Statements

VILLAGE OF LYONS  
 FULTON COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 295,475
Miscellaneous	<u>3,654</u>
Total Operating Cash Receipts	<u>299,129</u>
Operating Cash Disbursements:	
Personal Services	70,297
Fringe Benefits	17,414
Contractual Services	93,228
Supplies and Materials	20,865
Other	27,388
Capital Outlay	<u>4,174</u>
Total Operating Cash Disbursements	<u>233,366</u>
Operating Income	<u>65,763</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	6,900
Other Non-Operating Cash Receipts	900
Earnings on Investments	<u>1,308</u>
Total Non-Operating Cash Receipts	<u>9,108</u>
Non-Operating Cash Disbursements:	
Interest and Other Fiscal Charges	50,492
Other Non-Operating Cash Disbursements	<u>7,263</u>
Total Non-Operating Cash Disbursements	<u>57,755</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	17,116
Transfers-In	217,317
Transfers-Out	<u>(208,601)</u>
Net Receipts Over Disbursements	25,832
Fund Cash Balances, January 1	<u>330,516</u>
Fund Cash Balances, December 31	<u>\$ 356,348</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>

See Notes to Financial Statements

**VILLAGE OF LYONS  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**ORGANIZATION**

The Village of Lyons, Fulton County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, and park operations (leisure time activities). The Village contracts with the Fulton 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.

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

**BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**CASH AND CERTIFICATES OF DEPOSIT**

Certificates of deposit are reported in the fund cash balances. Accordingly, purchases of certificates of deposit are not recorded as disbursements, and sales of certificates of deposit are not recorded as receipts.

Certificates of deposit are valued at cost.

**FUND ACCOUNTING**

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

- a. **General Fund**  
The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special Revenue Funds**  
These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

VILLAGE OF LYONS  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- c. **Capital Project Funds**  
These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Project Fund - This fund receives grant funds that are used for street construction and reconstruction.

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

Water 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 Improvement Fund - This fund receives grants and loan proceeds to finance a sanitary sewer system and related lagoon.

**BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

- a. **Appropriations**  
Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.
- b. **Estimated Resources**  
Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.
- c. **Encumbrances**  
The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

VILLAGE OF LYONS  
 FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**INTERFUND TRANSACTIONS**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

**PROPERTY, PLANT, AND EQUIPMENT**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**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**

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$ 438,030	\$ 383,463
Certificates of Deposit	<u>104,359</u>	<u>101,710</u>
Total Deposits	<u><u>542,389</u></u>	<u><u>485,173</u></u>

**DEPOSITS**

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

**VILLAGE OF LYONS  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**(3) BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

**2005 BUDGETED VS. ACTUAL RECEIPTS**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 101,714	\$ 121,636	\$ 19,922
Special Revenue	37,929	54,594	16,665
Capital Projects	191,513	188,539	(2,974)
Enterprise	<u>389,604</u>	<u>394,052</u>	<u>4,448</u>
Total	<u>\$ 720,760</u>	<u>\$ 758,821</u>	<u>\$ 38,061</u>

**2005 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 146,900	\$ 96,489	\$ 50,411
Special Revenue	81,850	54,610	27,240
Capital Projects	187,475	175,475	12,000
Enterprise	<u>485,400</u>	<u>375,031</u>	<u>110,369</u>
Total	<u>\$ 901,625</u>	<u>\$ 701,605</u>	<u>\$ 200,020</u>

**2004 BUDGETED VS. ACTUAL RECEIPTS**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 100,195	\$ 101,579	\$ 1,384
Special Revenue	44,637	46,150	1,513
Capital Projects	0	0	0
Enterprise	<u>495,900</u>	<u>525,554</u>	<u>29,654</u>
Total	<u>\$ 640,732</u>	<u>\$ 673,283</u>	<u>\$ 32,551</u>

**2004 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 142,700	\$ 87,929	\$ 54,771
Special Revenue	93,650	64,676	28,974
Capital Projects	8,716	8,716	0
Enterprise	<u>631,580</u>	<u>499,722</u>	<u>131,858</u>
Total	<u>\$ 876,646</u>	<u>\$ 661,043</u>	<u>\$ 215,603</u>

**VILLAGE OF LYONS  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**(4) PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**(5) DEBT**

Debt outstanding at December 31, 2005 and 2004 was as follows:

	Beginning Balance <u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/05</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,381,000	\$ 0	\$ 15,000	\$1,366,000	\$ 15,000
Ohio Public Works Commission Note	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>20,000</u>	<u>2,000</u>
Total	<u>\$1,381,000</u>	<u>\$ 20,000</u>	<u>\$ 15,000</u>	<u>\$1,386,000</u>	<u>\$ 17,000</u>

  

	Beginning Balance <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/04</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,381,000	\$ 0	\$ 0	\$1,381,000	\$ 15,000

The U.S. Department of Agriculture (USDA) Rural Development refinanced the Village's OWDA debt by way of bonds. The bonds have been approved up to \$1,381,000 for this project. The bonds will be repaid in annual installments, beginning in July 2005, including interest of 4.25% over 40 years beginning in July 1, 2005. The bonds are collateralized by utility receipts. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements. The activity of these bonds are being recorded in an enterprise fund.

As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund. The balance in the fund at December 31, 2005 is \$50,000.



**VILLAGE OF LYONS  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**(5) DEBT (CONTINUED)**

The Ohio Public Works Commission note is to be used for the South Adrian Street Drainage and Pavement Improvement Project. The note has been approved up to \$20,000 for this project. The note will be repaid in semi-annual installments with no interest over 5 years, maturing in January 2011. No assets are pledged to secure this note. If the Village defaults on the loan, the Ohio Public Works Commission can seek payment from the Village's tax receipts directly through the Fulton County Treasurer. The activity of this note is being recorded in a governmental fund.

The principal and interest requirements to retire the debt outstanding at December 31, 2005 are as follows:

<u>Year Ending December 31</u>	<u>Mortgage Revenue Bond</u>		<u>Ohio Public Works Commission Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 15,000	\$ 58,055	\$ 2,000	\$ 0
2007	16,000	57,418	4,000	0
2008	16,000	56,738	4,000	0
2009	17,000	56,058	4,000	0
2010	18,000	55,335	4,000	0
2011-2015	101,000	264,648	2,000	0
2016-2020	124,000	241,315	0	0
2021-2025	153,000	212,585	0	0
2026-2030	187,000	177,268	0	0
2031-2035	231,000	133,918	0	0
2036-2040	286,000	80,325	0	0
2041-2043	202,000	17,383	0	0
Totals	<u>\$ 1,366,000</u>	<u>\$ 1,411,046</u>	<u>\$ 20,000</u>	<u>\$ 0</u>

**(6) RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of OPERS contributed 8.5 percent of their wages. The Village has contributed an amount equal to 13.55% of the participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

Pension expense amounted to \$16,393 and \$15,192 for 2005 and 2004, respectively.

VILLAGE OF LYONS  
 FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**(7) RISK MANAGEMENT**

Risk Pool Management

The Village has obtained commercial insurance for risks such as comprehensive property and general liability, vehicles, and errors and omissions.

**(8) INTERFUND BALANCES**

Interfund balances at December 31, 2005 consisted of \$9,000 due from the capital projects fund to the general fund. This interfund balance is due to the general fund purchasing an easement on behalf of the capital projects fund. The balance is scheduled to be collected in the subsequent year.

**(9) INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2005, consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Special Revenue Funds	\$ 11,425	\$ 0
Capital Projects Funds	<u>0</u>	<u>11,425</u>
Totals	<u>\$ 11,425</u>	<u>\$ 11,425</u>

Interfund transfers for the year ended December 31, 2004, consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Capital Projects Funds	\$ 0	\$ 8,716
Enterprise Funds	<u>8,716</u>	<u>0</u>
Totals	<u>\$ 8,716</u>	<u>\$ 8,716</u>

Interfund transfers during year ends December 31, 2005 and 2004 represent unexpended balances in capital projects funds after the payment of all obligations incurred in the acquisition of such improvement transferred to other funds for the acquisition of permanent improvements. This transfer is allowable in accordance with Section 5705.14 of the Ohio Revised Code.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Lyons  
Fulton County  
126 W. Morenci Street  
P.O. Box 414  
Lyons, OH 43533-0414

We have audited the accompanying financial statements of the Village of Lyons, Fulton County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 26, 2006 wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State prescribes, rather than accounting principles generally accepted in the United States of America. We conducted our audits 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 Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the council of the Village of Lyons, Fulton County, in a separate letter dated October 26, 2006.

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.

*Dubler Sussman Group LLP*  
October 26, 2006  
Toledo, Ohio



Mary Taylor, CPA  
Auditor of State

VILLAGE OF LYONS

FULTON COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 5, 2007