

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**



Mary Taylor, CPA

Auditor of State

Honorable Members of Village Council
Village of Lewisburg
211 South High Street
Lewisburg, Ohio 45154

We have reviewed the *Independent Auditors' Report* of the Village of Lewisburg, Preble County, prepared by Bastin & Company, LLC, 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 *Independent Auditors' 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 Auditors' 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 Lewisburg is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 9, 2008

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**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Lewisburg
211 South High Street
Lewisburg, OH 45154

We have audited the accompanying financial statements of the Village of Lewisburg, Preble 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 require 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, villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the 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 their changes in financial position or cash flows, where applicable, 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 and reserves for encumbrances of the Village as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 May 29, 2008, 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 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
May 29, 2008

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Taxes | \$ 155,050 | \$ 97,307 | \$ - | \$ - | \$ 252,357 |
| Municipal Income Tax | 699,809 | - | - | - | 699,809 |
| Intergovernmental Revenues | 116,654 | 159,785 | - | - | 276,439 |
| Charges for Services | 230,520 | - | - | 33,750 | 264,270 |
| Fines, Licenses and Permits | 1,447 | 87 | - | - | 1,534 |
| Earnings on Investments | 22,734 | - | - | - | 22,734 |
| Miscellaneous | 18,115 | 6,087 | - | - | 24,202 |
| Total Cash Receipts | <u>1,244,329</u> | <u>263,266</u> | <u>-</u> | <u>33,750</u> | <u>1,541,345</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 699,927 | 58,801 | - | - | 758,728 |
| Leisure Time Activities | - | 36,835 | - | - | 36,835 |
| Community Environment | 9,594 | - | - | - | 9,594 |
| Transportation | 40,954 | 149,930 | - | - | 190,884 |
| General Government | 290,490 | 3,369 | - | - | 293,859 |
| Capital Outlay | 101,347 | 96,219 | 9,688 | 150,460 | 357,714 |
| Debt Service: | | | | | |
| Principal | 49,928 | 6,475 | - | 10,456 | 66,859 |
| Interest and Fiscal Charges | 2,011 | - | - | - | 2,011 |
| Total Cash Disbursements | <u>1,194,251</u> | <u>351,629</u> | <u>9,688</u> | <u>160,916</u> | <u>1,716,484</u> |
| Total Receipts Over (Under) Disbursements | <u>50,078</u> | <u>(88,363)</u> | <u>(9,688)</u> | <u>(127,166)</u> | <u>(175,139)</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Notes | 300,000 | - | - | - | 300,000 |
| Proceeds from Capital Lease | 41,832 | 41,832 | - | 10,459 | 94,123 |
| Transfers-In | - | 7,341 | - | 137,894 | 145,235 |
| Transfers-Out | (145,235) | - | - | - | (145,235) |
| Total Other Financing Receipts and Disbursements | <u>196,597</u> | <u>49,173</u> | <u>-</u> | <u>148,353</u> | <u>394,123</u> |
| Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements | <u>246,675</u> | <u>(39,190)</u> | <u>(9,688)</u> | <u>21,187</u> | <u>218,984</u> |
| Fund Cash Balances, January 1, 2007 | <u>470,272</u> | <u>193,725</u> | <u>29,111</u> | <u>139,345</u> | <u>832,453</u> |
| Fund Cash Balances, December 31, 2007 | <u>\$ 716,947</u> | <u>\$ 154,535</u> | <u>\$ 19,423</u> | <u>\$ 160,532</u> | <u>\$ 1,051,437</u> |
| Reserve for Encumbrances, December 31, 2007 | <u>\$ 17,331</u> | <u>\$ 115</u> | <u>\$ 6,760</u> | <u>\$ 2,288</u> | <u>\$ 26,494</u> |

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH 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> |
| Operating Cash Receipts: | |
| Charges for Services | \$ 698,210 |
| Total Operating Cash Receipts | <u>698,210</u> |
| Operating Cash Disbursements: | |
| Personal Services | 338,581 |
| Contractual Services | 60,460 |
| Supplies and Materials | 188,182 |
| Capital Outlay | <u>204,981</u> |
| Total Operating Cash Disbursements | <u>792,204</u> |
| Operating Loss | <u>(93,994)</u> |
| Non-Operating Cash Receipts: | |
| Proceeds From OWDA Loan | <u>248,699</u> |
| Total Non-Operating Cash Receipts | <u>248,699</u> |
| Non-Operating Cash Disbursements: | |
| Principal Payments on Debt | (43,378) |
| Payments Made to Trustee for Debt Service | <u>(39,612)</u> |
| Total Non-Operating Cash Disbursements | <u>(82,990)</u> |
| Excess of Receipts Over Disbursements | 71,715 |
| Fund Cash Balances, January 1, 2007 | <u>384,712</u> |
| Fund Cash Balances, December 31, 2007 | <u>\$ 456,427</u> |
| Reserve for Encumbrances, December 31, 2007 | <u>\$ 127</u> |

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Taxes | \$ 146,873 | \$ 83,619 | \$ - | \$ - | \$ 230,492 |
| Municipal Income Tax | 707,880 | - | - | - | 707,880 |
| Intergovernmental Revenues | 219,555 | 181,532 | - | - | 401,087 |
| Charges for Services | 219,982 | - | - | 34,000 | 253,982 |
| Fines, Licenses and Permits | 2,289 | 73 | - | - | 2,362 |
| Earnings on Investments | 20,215 | - | - | - | 20,215 |
| Miscellaneous | 31,081 | 11,075 | - | - | 42,156 |
| Total Cash Receipts | <u>1,347,875</u> | <u>276,299</u> | <u>-</u> | <u>34,000</u> | <u>1,658,174</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 698,067 | 49,157 | - | - | 747,224 |
| Public Health Services | 5,362 | - | - | - | 5,362 |
| Leisure Time Activities | - | 38,316 | - | - | 38,316 |
| Community Environment | 8,338 | - | - | - | 8,338 |
| Transportation | 19,807 | 169,554 | - | - | 189,361 |
| General Government | 290,489 | 2,415 | - | - | 292,904 |
| Capital Outlay | 83,999 | 65,887 | - | 307,867 | 457,753 |
| Debt Service: | | | | | |
| Principal | 5,940 | 2,488 | - | 9,430 | 17,858 |
| Total Cash Disbursements | <u>1,112,002</u> | <u>327,817</u> | <u>-</u> | <u>317,297</u> | <u>1,757,116</u> |
| Total Receipts Over (Under) Disbursements | <u>235,873</u> | <u>(51,518)</u> | <u>-</u> | <u>(283,297)</u> | <u>(98,942)</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Fixed Assets | 17 | 3,500 | - | - | 3,517 |
| Transfers-In | - | 25,000 | - | 139,503 | 164,503 |
| Transfers-Out | (164,503) | - | - | - | (164,503) |
| Total Other Financing Receipts and Disbursements | <u>(164,486)</u> | <u>28,500</u> | <u>-</u> | <u>139,503</u> | <u>3,517</u> |
| Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements | <u>71,387</u> | <u>(23,018)</u> | <u>-</u> | <u>(143,794)</u> | <u>(95,425)</u> |
| Fund Cash Balances, January 1, 2006, Restated | <u>398,885</u> | <u>216,743</u> | <u>29,111</u> | <u>283,139</u> | <u>927,878</u> |
| Fund Cash Balances, December 31, 2006 | <u>\$ 470,272</u> | <u>\$ 193,725</u> | <u>\$ 29,111</u> | <u>\$ 139,345</u> | <u>\$ 832,453</u> |
| Reserve for Encumbrances, December 31, 2006 | <u>\$ 21,400</u> | <u>\$ 535</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 21,935</u> |

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Proprietary Fund Type</u> |
|---|----------------------------------|
| | <u>Enterprise</u> |
| Operating Cash Receipts: | |
| Charges for Services | <u>\$ 692,836</u> |
| Total Operating Cash Receipts | <u>692,836</u> |
| Operating Cash Disbursements: | |
| Personal Services | 327,698 |
| Contractual Services | 57,909 |
| Supplies and Materials | 140,447 |
| Capital Outlay | <u>115,357</u> |
| Total Operating Cash Disbursements | <u>641,411</u> |
| Operating Income | <u>51,425</u> |
| Non-Operating Cash Receipts: | |
| Proceeds From Loan | 40,000 |
| Proceeds From OWDA Loan | <u>61,673</u> |
| Total Non-Operating Cash Receipts | <u>101,673</u> |
| Non-Operating Cash Disbursements: | |
| Principal Payments on Debt | (101,878) |
| Payments Made to Trustee for Debt Service | (41,576) |
| Interest Payments | <u>(2,779)</u> |
| Total Non-Operating Cash Disbursements | <u>(146,233)</u> |
| Excess of Receipts Over Disbursements | 6,865 |
| Fund Cash Balances, January 1, 2006 | <u>377,847</u> |
| Fund Cash Balances, December 31, 2006 | <u>\$ 384,712</u> |
| Reserve for Encumbrances, December 31, 2006 | <u>\$ 470</u> |

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lewisburg, Preble County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides water and sewer utilities, park operations, fire services and police services. The Brown Memorial Library is a related organization (See Note 13).

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 11 to the financial statements.

B. Basis of Accounting

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

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

C. Cash and Investments

The Village has interest bearing checking accounts for all deposited funds. The Village also has certificates of deposit, which are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue 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 LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)

Recreation Fund - This fund receives intergovernmental receipts and fund transfers for providing leisure time activities to Village residents.

Fire/Ambulance Fund - This fund receives primarily property tax receipts for providing fire and ambulance services to Village residents.

3. Debt Service Funds

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

Brown Library Fund - This fund was used to account for debt proceeds related to the Brown Memorial Library. Funds are used to pay for capital items for the Library.

4. Capital Project Funds

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

Capital Improvement Project Fund – This fund receives local income tax receipts for various capital improvement projects within the Village.

New Ambulance Reserve Fund – This fund receives contract payments from local townships to which the Village provides ambulance services. These funds are for the purchase of a new ambulance.

Fire Truck Reserve and Trust Fund – This fund receives contract payments from local townships to which the Village provides fire protection services. These funds are for the purchase of a new fire truck.

5. Enterprise Funds

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

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2007 | 2006 |
|-------------------------|-------------|-------------|
| Demand deposits | \$1,142,042 | \$ 854,572 |
| Certificates of Deposit | 365,822 | 362,593 |
| Total deposits | \$1,507,864 | \$1,217,165 |

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

3. BUDGETARY ACTIVITY

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

| 2007 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 954,580 | \$ 1,586,161 | \$ 631,581 |
| Special Revenue | 219,867 | 312,439 | 92,572 |
| Capital Projects | 128,000 | 182,103 | 54,103 |
| Enterprise | 772,116 | 946,909 | 174,793 |
| Total | \$ 2,074,563 | \$ 3,027,612 | \$ 953,049 |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 1,731,098 | \$ 1,356,817 | \$ 374,281 |
| Special Revenue | 407,197 | 351,744 | 55,453 |
| Debt Service | 29,112 | 16,448 | 12,664 |
| Capital Projects | 267,345 | 163,204 | 104,141 |
| Enterprise | 1,156,830 | 875,321 | 281,509 |
| Total | \$ 3,591,582 | \$ 2,763,534 | \$ 828,048 |

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

2006 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------|
| General | \$ 903,380 | \$ 1,347,892 | \$ 444,512 |
| Special Revenue | 241,455 | 304,799 | 63,344 |
| Capital Projects | 168,000 | 173,503 | 5,503 |
| Enterprise | 642,810 | 794,509 | 151,699 |
| Total | \$ 1,955,645 | \$ 2,620,703 | \$ 665,058 |

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------|
| General | \$ 1,308,656 | \$ 1,297,905 | \$ 10,751 |
| Special Revenue | 451,804 | 328,352 | 123,452 |
| Debt Service | 29,112 | - | 29,112 |
| Capital Projects | 459,650 | 317,297 | 142,353 |
| Enterprise | 1,020,657 | 788,114 | 232,543 |
| Total | \$ 3,269,879 | \$ 2,731,668 | \$ 538,211 |

4. BUDGETARY COMPLIANCE

Ohio Revised Code, Section 5705.39, requires that total appropriations from each fund not exceed total estimated fund resources from each fund. During 2007, total appropriations exceeded total estimated resources in the General Fund by \$306,246 and, during 2006, total appropriations exceeded total estimated resources in the General Fund by \$6,391 and in the Capital Improvements Fund by \$8,511.

Additionally, Ohio Revised Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2007, total expenses exceeded total appropriations in the Street Fund by \$5,610 and in the Capital Improvements Fund by \$3,697 and, during 2006, total expenses exceeded total appropriations in the Sludge Project Fund by \$31,490.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

5. 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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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.

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|---------------------|----------------------|
| Wastewater Treatment First Mortgage Revenue Refunding Bonds | \$ 40,000 | 5.88% to 6.5% |
| OPWC Loan (Main St.) | 97,500 | 0.00% |
| OPWC Loan (Water Tower) | 345,284 | 0.00% |
| OPWC Loan (Sludge) | 379,405 | 0.00% |
| OPWC Loan (Commerce Street) | 109,669 | 0.00% |
| Police Administration Building Loan | 300,000 | 5.00% |
| OWDA Water Treatment Plant Loan 4717 | 310,372 | 2.75% |
| Total | <u>\$ 1,582,230</u> | |

The Wastewater Treatment First Mortgage Revenue Refunding Bonds were issued in 1996 for \$340,000 to refinance a 1985 bond. The purpose of these bonds was to expand the Village water supply and construct certain improvements to the municipality owned wastewater treatment system (See Note 11).

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

The Village was awarded an interest free loan in 2000 from the Ohio Public Works Commission (OPWC) in the amount of \$150,000. This loan is to be used to finance the Main Street Improvement Project. The project was completed in 2001. The Village is making semi-annual payments of \$3,750 with the final payment due January 1, 2021.

The Village was awarded an interest free loan in 2004 from the Ohio Public Works Commission in the amount of \$474,256. This loan was used to finance a sludge management facilities remodel project. The Village is making semi-annual payments of \$11,856 with the final payment due January 1, 2024.

The Village was awarded an interest free loan from the Ohio Public Works Commission in the amount of \$600,490. This loan is to be used to finance a water system improvements project. The Village completed the project in 1999. The Village is making semi-annual payments of \$15,012 with the final payment due July 1, 2019.

The Ohio Public Works Commission Commerce Street loan relates to financing for the widening of Commerce Street, a water system improvements project. The OPWC has approved a loan up to \$109,669 to the Village for this project. As of December 31, 2007, the loan is in an "open" status and no loan amortization or repayment terms have been established. As a result, no amortization is included in the following schedule.

The Village obtained a loan from Eaton National Bank for \$58,500, at a 4.75 percent interest rate, on January 24, 2005. Proceeds from the loan were used towards the purchase of a trash truck. The loan was retired on January 24, 2006.

The Village obtained a loan from Eaton National Bank for \$300,000, at a 5 percent interest rate, on November 2, 2007. Proceeds from the loan were used to fund a new police administration building.

In June of 2006 the Village received a \$1,400,434 loan with an interest rate of 2.75 percent from the Ohio Water Development Authority (OWDA) for water treatment plant improvements. As of December 31, 2007 \$310,372 of the funds had been disbursed by OWDA for project costs. The loan terms require repayment over 20 years with the first payment on July 1, 2008 and final payment due January 1, 2028. Funds disbursed to date have been reflected in the financial statements as loan proceeds. Amortization of the loan is not presented in the following schedule since the final loan amount not been determined by OWDA.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

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

| Year ending Dec 31: | Waste Water First Mortgage Refunding Bonds | OPWC (Main Street Project) | OPWC (Water Tower) | OPWC (Sludge Maintenance Project) | Police Admin Building | Total (*) |
|------------------------|---|-------------------------------------|--------------------------|--|-----------------------------|--------------|
| 2008 | \$ 42,600 | \$ 3,750 | \$ 15,012 | \$ 11,856 | \$ 40,905 | \$ 114,123 |
| 2009 | - | 7,500 | 30,025 | 23,713 | 38,488 | \$ 99,726 |
| 2010 | - | 7,500 | 30,025 | 23,713 | 38,488 | \$ 99,726 |
| 2011 | - | 7,500 | 30,025 | 23,713 | 38,488 | \$ 99,726 |
| 2012 | - | 7,500 | 30,025 | 23,713 | 38,488 | \$ 99,726 |
| 2013-2017 | - | 37,500 | 150,123 | 118,564 | 191,973 | \$ 498,160 |
| 2018-2022 | - | 26,250 | 60,049 | 118,564 | - | \$ 204,863 |
| 2023-2027 | - | - | - | 35,569 | - | \$ 35,569 |
| Total | \$ 42,600 | \$ 97,500 | \$ 345,284 | \$ 379,405 | \$ 386,830 | \$ 1,251,619 |

(*) Excludes amounts related to the Ohio Public Works Commission Commerce Street Loan and the OWDA Water Treatment Plant Loan that currently have not been scheduled for repayment by OPWC and OWDA.

In addition to the above items, on April 28, 2006 the Village obtained a loan from Eaton National Bank for \$40,000, at a 5.00 percent interest rate for the purchase of 2.583 acres of land on South Water Street. The loan was retired on April 30, 2007.

8. CAPITAL LEASE

During 2007 the Village entered into a capital lease for a street sweeper in the amount of \$94,123. The Village made an initial lease payment of \$9,000 during 2007. Amortization of the remaining lease, including interest, is scheduled as follows:

| <u>Year ending December 31,</u> | <u>Amount</u> |
|--|-----------------|
| 2008 | \$18,902 |
| 2009 | 18,903 |
| 2010 | 18,902 |
| 2011 | 18,903 |
| 2012 | <u>18,902</u> |
| Total minimum lease payments | 94,512 |
| Less: amount representing interest | <u>(9,389)</u> |
| Present value of future minimum lease payments | <u>\$85,123</u> |

9. RETIREMENT SYSTEMS

The Village's law enforcement officers and fire fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent, respectively, of their gross wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent, respectively, of their gross wages and the Village contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross wages. The Village has paid all contributions required through December 31, 2007.

10. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance to full-time employees through a private carrier.

11. DEBT SERVICE TRUST FUNDS

The Village's Water Revenue Bonds require the Village to establish a Debt Reserve Fund and the Repair and Replacement Fund. The Village has established these funds. The Village makes monthly payments into these funds which are held by a trustee who, in turn, invests the funds and makes bond principle and interest payments when due. Upon the retirement of the bonds any remaining balance in the funds will be returned to the Village. During 2006, the Village made payments to the Trustee totaling \$41,576 and the Trustee made principal and interest payments on the bonds totaling \$42,150. During 2007, the Village made payments to the Trustee totaling \$39,612 and the Trustee made principal and interest payments on the bonds totaling \$39,875. At December 31, 2007, the custodian held \$35,679 in the Debt Reserve Fund and \$17,113 in the Repair and Replacement Fund, which are Village assets. These assets and the related receipts and disbursements made by the Trustee are not reflected in the accompanying financial statements.

12. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that resolution of these matters will not materially adversely affect the Village's financial condition.

13. RELATED ORGANIZATION

The Brown Memorial Library is a related organization to the Village. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the Village.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

14. FUND RECLASSIFICATIONS

Beginning January 1, 2006, the Village began reporting certain funds as Special Revenue and Capital Project Funds that had previously been reported as Expendable Trust in accordance with the Ohio Auditor of State Technical Bulletin 2005-005. As a result, previously reported fund cash balances in the Special Revenue, Capital Project and Expendable Trust Fund types, as of December 31, 2005, have been restated as of January 1, 2006 as follows:

| | <u>Special Revenue Fund Type</u> | <u>Capital Project Fund Type</u> | <u>Expendable Trust</u> | <u>Total</u> |
|---|--|--|-----------------------------|------------------|
| Fund cash balances as of December 31, 2005 as previously reported | \$211,903 | \$147,951 | \$140,028 | \$499,882 |
| Reclassifications of funds | <u>4,840</u> | <u>135,188</u> | <u>(140,028)</u> | <u>-</u> |
| Fund cash balances as of January 1, 2006 restated | <u>\$216,743</u> | <u>\$283,139</u> | <u>\$ -</u> | <u>\$499,882</u> |

Bastin & Company, LLC

Certified Public Accountants

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*

The Honorable Members of Village Council
Village of Lewisburg
211 South High Street
Lewisburg, OH 45154

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 29, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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.

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 following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-01 through 2007-03.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-01 and 2007-02 are also 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, grant 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-04 through 2007-05.

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

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
May 29, 2008

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-01

Significant Deficiency/Material Weakness

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One of those deficiencies, which is applicable to the Village, is included in the SAS related to audit adjustments and it states the following:

We identified material misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal control. The audit adjustments were necessary to correct errors in the Village's financial statements. A description of the adjustments follows:

Unrecorded Prior Audit Adjustments

During audit periods prior to 2004, audit adjustments were made to correct fund cash balances which have not been recorded within the Village's accounting system. Audit adjustments were necessary to adjust the Village's beginning balances for 2006 and 2007 to 1) reduce the amount of fund cash balance in the General Fund by \$6,391 and 2) increase the fund cash balances in the Recreation and Fire/Ambulance Funds by \$2,147 and \$4,244, respectively.

Fund Reclassifications

For 2006 and 2007, audit adjustments were necessary to properly classify funds. The Village reported 1) the Income Tax Fund as a Special revenue Fund which was reclassified into the General Fund, 2) the Water Bond Debt Reserve Fund was reported as a Debt Service Fund which was reclassified as an Enterprise Fund and 3) the Sludge Project Fund was reported as a Capital Project fund which was reclassified as a Enterprise Fund.

Debt Payments

For 2006, audit adjustments were necessary to reclassify debt service payments recorded as capital outlay in the Street Fund, Capital Improvements Fund, Sewer Fund, Water Fund and Sanitation Fund by \$2,488 and \$2,525, \$23,713, \$11,560 and \$61,279 respectively.

For 2007, audit adjustments were necessary to reclassify debt service payments recorded as capital outlay in the Sewer Fund by \$23,713. Audit adjustments were also necessary to reclassify debt service payments

recorded as transportation in the General Fund by \$42,011. Audit adjustments were also necessary to reclassify debt service payments recorded as supplies and materials in the Water Fund by \$16,214.

Adjustments were also needed for 2007 to reclassify expenses recorded in the Brown Library Bond Fund as debt service payments to capital outlay by \$9,688.

Debt Proceeds

For 2006, an audit adjustment was necessary to reclassify proceeds from a debt issue for a land purchase recorded as fines, licenses, and permits revenue in the Sludge Fund by \$40,000.

OWDA Loan Proceeds

For 2006, an audit adjustment was necessary to reclassify proceeds from an OWDA loan as well as record OWDA fees and capitalized interest costs recorded as other financing sources in the Water Fund by \$61,673.

For 2007, an audit adjustment was necessary to reclassify proceeds from an OWDA loan as well as record OWDA fees and capitalized interest costs recorded as other financing sources in the Water Fund by \$248,699.

Capital Lease Proceeds and Payments

For 2007, audit adjustments were necessary to reclassify an initial down payment on the capital lease recorded as transportation in the Street Fund by \$4,000, capital outlay in the Capital Improvements Fund by \$1,000 and transportation in the General Fund by \$4,000. In addition, adjustments were necessary to record the proceeds and capital expenditures related to the capital lease in the Street Fund, Capital Improvements Fund, and General Fund by \$41,832, \$10,459 and \$41,832, respectively.

Refunded Debt Payment

For 2007, an audit adjustment was necessary to properly record a debt payment that the Village incorrectly made to bank that was subsequently returned and paid to the correct bank. Supplies and material expense and other financing sources were reduced by \$30,618 in the Sewer Fund to eliminate the double recording of the transaction from the accounts where it had been recorded.

The presentation of materially correct financial statements is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Village's Response

The Village concurs and will attempt to correct the recording of transactions in the future.

FINDING NUMBER 2007-02

Significant Deficiency/Material Weakness

In 5 percent of the selections for 2006 and 2007, the Village did not have an account established and or records supporting the establishment of a residence in the income tax database although such accounts for those addresses and been established as active utility account customers.

A procedure should be put in place to ensure the accurate and timely establishment of taxpayer accounts and related collection of Village income taxes.

Village's Response

Better care must be/will be exercised in the future to ensure a cross-check is always made between new utility customers and the establishment of an income tax profile. Ongoing cross-check data runs will also be made.

FINDING NUMBER 2007-03

Significant Deficiency

Ohio Revised Code 5705.41 (D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

In 78 percent of transactions tested for 2006 and 2007, the purchase order and therefore the certification was delegated to a clerk/assistant and not signed and or certified by the actual fiscal officer.

To ensure proper controls and certification, we recommend that the actual fiscal officer perform the review and certification and that this procedure not be delegated.

Village's Response

The Village will correct this practice.

FINDING NUMBER 2007-04

Noncompliance Citation

Ohio Revised Code, Section 5705.39, requires that total appropriations from each fund not exceed total estimated fund resources from each fund.

During 2007, total appropriations exceeded total estimated resources in the General Fund by \$306,246 and, during 2006, total appropriations exceeded total estimated resources in the General Fund by \$6,391 and in the Capital Improvements Fund by \$8,511.

Village's Response

The Village agrees and will attempt to comply in the future years.

FINDING NUMBER 2007-05

Noncompliance Citation

Ohio Revised Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2007, total expenses exceeded total appropriations in the Street Fund by \$5,610 and in the Capital Improvements Fund by \$3,697 and, during 2006, total expenses exceeded total appropriations in the Sludge Project Fund by \$31,490.

Village's Response

The Village agrees and will attempt to comply in the future years.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

| Finding Number | Finding Summary | Fully Corrected? | Status Explanation |
|-----------------------|--|-------------------------|---|
| 2005-01 | Fiscal Officer certification noncompliance citation ORC, section 5705.41 | No | Condition existed during current audit period, reissued as finding 2007-03. |



Mary Taylor, CPA
Auditor of State

VILLAGE OF LEWISBURG

PREBLE 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
NOVEMBER 6, 2008**