

VILLAGE OF LYONS
FULTON COUNTY
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006



Mary Taylor, CPA

Auditor of State

Village Council
Village of Lyons
126 W. Morenci Street
P.O. Box 414
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, 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 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 3, 2008

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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, 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 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). 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.

Instead of the combined funds presented in the accompanying financial statements, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 for the years then ended.

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, 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 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 August 26, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.

Seublin Sussman Group LLP

August 26, 2008
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, 2007

	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>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 61,504	\$ 10,181	\$ 0	\$ 71,685
Intergovernmental Receipts	42,028	30,851	31,075	103,954
Fines, Licenses, and Permits	1,719	0	0	1,719
Earnings on Investments	6,734	100	0	6,834
Miscellaneous	<u>2,232</u>	<u>3,434</u>	<u>0</u>	<u>5,666</u>
Total Cash Receipts	114,217	44,566	31,075	189,858
Cash Disbursements:				
Current:				
Security of Persons and Property	11,500	0	0	11,500
Leisure Time Activities	0	4,038	0	4,038
Community Environment	564	0	0	564
Basic Utility Services	1,987	0	0	1,987
Transportation	11,516	41,441	0	52,957
General Government	69,438	150	0	69,588
Capital Outlay	0	0	19,217	19,217
Debt Service - Redemption of Principal	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>4,000</u>
Total Cash Disbursements	<u>95,005</u>	<u>45,629</u>	<u>23,217</u>	<u>163,851</u>
Total Receipts Over (Under) Disbursements	19,212	(1,063)	7,858	26,007
Fund Cash Balances, January 1	<u>118,233</u>	<u>54,975</u>	<u>64</u>	<u>173,272</u>
Fund Cash Balances, December 31	<u>\$ 137,445</u>	<u>\$ 53,912</u>	<u>\$ 7,922</u>	<u>\$ 199,279</u>
Reserves for Encumbrances, December 31	<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, 2007

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 330,015
Miscellaneous	<u>2,376</u>
Total Operating Cash Receipts	332,391
Operating Cash Disbursements:	
Personal Services	76,742
Fringe Benefits	20,636
Contractual Services	75,604
Supplies and Materials	24,061
Other	27,712
Capital Outlay	<u>1,604</u>
Total Operating Cash Disbursements	<u>226,359</u>
Operating Income	106,032
Non-Operating Cash Receipts:	
Sale of Note	3,208
Earnings on Investments	<u>6,812</u>
Total Non-Operating Cash Receipts	10,020
Non-Operating Cash Disbursements:	
Redemption of Principal	19,253
Interest and Other Fiscal Charges	<u>59,668</u>
Total Non-Operating Cash Disbursements	<u>78,921</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	37,131
Transfers-In	74,061
Transfers-Out	<u>(74,061)</u>
Net Receipts Over Disbursements	37,131
Fund Cash Balances, January 1	<u>399,557</u>
Fund Cash Balances, December 31	<u>\$ 436,688</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, 2006

	Governmental Fund Types			<u>Totals</u> (Memo. Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 52,752	\$ 9,326	\$ 0	\$ 62,078
Intergovernmental Receipts	41,686	28,518	0	70,204
Fines, Licenses, and Permits	1,766	0	0	1,766
Earnings on Investments	3,539	168	0	3,707
Miscellaneous	<u>2,974</u>	<u>16,209</u>	<u>0</u>	<u>19,183</u>
Total Cash Receipts	102,717	54,221	0	156,938
Cash Disbursements:				
Current:				
Security of Persons and Property	12,105	0	0	12,105
Leisure Time Activities	0	2,715	0	2,715
Community Environment	537	0	0	537
Basic Utility Services	2,425	0	0	2,425
Transportation	11,008	36,318	0	47,326
General Government	81,529	49	0	81,578
Debt Service - Redemption of Principal	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>4,000</u>
Total Cash Disbursements	<u>107,604</u>	<u>39,082</u>	<u>4,000</u>	<u>150,686</u>
Total Receipts Over (Under) Disbursements	(4,887)	15,139	(4,000)	6,252
Other Financing Receipts (Disbursements):				
Advances-In	5,000	5,000	0	10,000
Advances-Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>	<u>(10,000)</u>
Total Other Financing Receipts (Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts Over (Under) Cash Disbursements and Other Financing Receipts (Disbursements)	(4,887)	15,139	(4,000)	6,252
Fund Cash Balances, January 1	<u>123,120</u>	<u>39,836</u>	<u>4,064</u>	<u>167,020</u>
Fund Cash Balances, December 31	<u>\$ 118,233</u>	<u>\$ 54,975</u>	<u>\$ 64</u>	<u>\$ 173,272</u>
Reserves for Encumbrances, December 31	<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, 2006

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 314,224
Miscellaneous	<u>2,360</u>
Total Operating Cash Receipts	316,584
Operating Cash Disbursements:	
Personal Services	65,599
Fringe Benefits	19,613
Contractual Services	89,388
Supplies and Materials	18,828
Other	17,967
Capital Outlay	<u>88,008</u>
Total Operating Cash Disbursements	<u>299,403</u>
Operating Income	17,181
Non-Operating Cash Receipts:	
Sale of Note	80,628
Earnings on Investments	<u>1,442</u>
Total Non-Operating Cash Receipts	82,070
Non-Operating Cash Disbursements:	
Principal Redemption	16,593
Interest and Other Fiscal Charges	<u>58,470</u>
Total Non-Operating Cash Disbursements	<u>75,063</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	24,188
Transfers-In	104,498
Transfers-Out	<u>(104,498)</u>
Net Receipts Over Disbursements	24,188
Fund Cash Balances, January 1	<u>375,369</u>
Fund Cash Balances, December 31	\$ <u>399,557</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, 2007 AND 2006

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 INVESTMENTS

Certificates of deposit and investments are reported in the fund cash balances at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual fund reports.

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 Fund:

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, 2007 AND 2006

(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 funds). The Village had the following significant capital project fund:

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 to recover significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

Enterprise Debt Service Fund - This fund is used to accumulate resources for the payment of principal and interest on the Village's debt issues.

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. 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.

VILLAGE OF LYONS
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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 2007 and 2006 budgetary activity appears in Note 3.

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.

ACCUMULATED LEAVE

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

(2) EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and 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:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 317,498	\$ 366,700
Certificates of Deposit	<u>0</u>	<u>104,359</u>
Total Deposits	<u>317,498</u>	<u>471,059</u>
 Municipal Money Market	 <u>318,469</u>	 <u>101,770</u>
Total Investments	<u>318,469</u>	<u>101,770</u>
Total Deposits and Investments	<u>\$ 635,967</u>	<u>\$ 572,829</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.

INVESTMENTS

Investments in money market funds are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF LYONS
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(3) BUDGETARY ACTIVITY

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

2007 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 111,298	\$ 114,217	\$ 2,919
Special Revenue	42,152	44,566	2,414
Capital Projects	208,050	31,075	(176,975)
Enterprise	<u>480,700</u>	<u>416,472</u>	<u>(64,228)</u>
Total	<u>\$ 842,200</u>	<u>\$ 606,330</u>	<u>\$ (235,870)</u>

2007 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 179,600	\$ 95,005	\$ 84,595
Special Revenue	82,150	45,629	36,521
Capital Projects	210,000	23,217	186,783
Enterprise	<u>593,000</u>	<u>379,341</u>	<u>213,659</u>
Total	<u>\$ 1,064,750</u>	<u>\$ 543,192</u>	<u>\$ 521,558</u>

2006 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 109,859	\$ 102,717	\$ (7,142)
Special Revenue	47,852	54,221	6,369
Capital Projects	48,300	0	48,300
Enterprise	<u>559,704</u>	<u>503,152</u>	<u>(56,552)</u>
Total	<u>\$ 765,715</u>	<u>\$ 660,090</u>	<u>\$ (9,025)</u>

2006 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 164,300	\$ 107,604	\$ 56,696
Special Revenue	70,350	39,082	31,268
Capital Projects	48,300	4,000	44,300
Enterprise	<u>648,200</u>	<u>478,964</u>	<u>169,236</u>
Total	<u>\$ 931,150</u>	<u>\$ 629,650</u>	<u>\$ 301,500</u>

Contrary to Ohio law, budgetary appropriations exceeded available resources in the capital projects fund by \$174,861 and \$44,236 for 2007 and 2006, respectively.

VILLAGE OF LYONS
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(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, 2007 and 2006 was as follows:

	Beginning Balance <u>01/01/07</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/07</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,351,000	\$ 0	\$ 16,000	\$1,335,000	\$ 16,000
Ohio Public Works Commission Note	16,000	0	4,000	12,000	4,000
Ohio Water Development Authority Note	<u>79,035</u>	<u>3,208</u>	<u>3,253</u>	<u>78,990</u>	<u>3,343</u>
Total	<u>\$1,446,035</u>	<u>\$ 3,208</u>	<u>\$ 23,253</u>	<u>\$1,425,990</u>	<u>\$ 23,343</u>

	Beginning Balance <u>01/01/06</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/06</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,366,000	\$ 0	\$ 15,000	\$1,351,000	\$ 16,000
Ohio Public Works Commission Note	20,000	0	4,000	16,000	4,000
Ohio Water Development Authority Note	<u>0</u>	<u>80,628</u>	<u>1,593</u>	<u>79,035</u>	<u>3,253</u>
Total	<u>\$1,386,000</u>	<u>\$ 80,628</u>	<u>\$ 20,593</u>	<u>\$1,446,035</u>	<u>\$ 23,253</u>

**VILLAGE OF LYONS
FULTON COUNTY**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(5) DEBT (CONTINUED)

The U.S. Department of Agriculture (USDA) Rural Development refinanced the Village's OWDA debt by way of bonds during 2002. The bonds were approved up to \$1,381,000 for the project. The bonds will be repaid in annual installments including interest of 4.25% over 40 years, maturing July 1, 2043. 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, 2007 is \$68,000.

The Ohio Public Works Commission (OPWC) note was used for the South Adrian Street Drainage and Pavement Improvement Project and 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 OPWC 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 Ohio Water Development Authority (OWDA) note was used for the Ash Street Waterline Extension Project and approved up to \$84,223 for the project. The note will be repaid in semi-annual installments with interest of 2.75% over 20 years, maturing in July 2026. The note is collateralized by water service charges. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements. The activity of these bonds are being recorded in an enterprise fund.

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

<u>Year Ending December 31</u>	<u>Mortgage Revenue Bond</u>	<u>Ohio Public Works Commission Note</u>	<u>Ohio Water Development Authority Note</u>
2008	\$ 72,738	\$ 2,000	\$ 2,751
2009	73,058	4,000	5,503
2010	73,335	4,000	5,503
2011	72,570	2,000	5,503
2012	73,805	0	5,503
2013-2017	364,850	0	27,515
2018-2022	365,563	0	27,515
2023-2027	365,325	0	22,012
2028-2032	364,990	0	0
2033-2037	365,858	0	0
2038-2042	365,505	0	0
2043-2047	72,975	0	0
Totals	<u>\$ 2,630,572</u>	<u>\$ 12,000</u>	<u>\$ 101,805</u>

VILLAGE OF LYONS
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(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 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross wages. The Village contributed an amount equal to 13.85% (2007) and 13.70% (2006) of the participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

Pension expense amounted to \$18,967 and \$16,766 for 2007 and 2006, respectively.

(7) RISK MANAGEMENT

Commercial Insurance

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

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

To the Village Council:

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, 2007 and 2006, and have issued our report thereon dated August 26, 2008 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, 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.

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.

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 purposes 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 one instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings as Finding No. 2007-001.

We noted certain noncompliance or other matters that we reported to the Village's management and council in a separate letter dated August 26, 2008.

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

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

Seblin Sussman Group LLP

August 26, 2008
Toledo, Ohio

**VILLAGE OF LYONS
FULTON COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) states that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

It was noted that appropriations exceeded actual available resources in the capital projects fund in the amounts of \$178,861 and \$44,236 for 2007 and 2006, respectively. We recommend that the Village review the estimated resources and appropriation calculations throughout the year to protect funds from being overspent.

Officials' Response: The Village will compare estimated resources to appropriations throughout the year and obtain an amended certificate of estimated resources if actual revenues are less than anticipated. Appropriations will also be adjusted accordingly to estimated resources available.



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
DECEMBER 16, 2008**