

**VILLAGE OF LYONS
FULTON COUNTY**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012



Dave Yost • Auditor of State

Village Council
Village of Lyons
126 W. Morenci Street
Lyons, OH 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, 2012 through December 31, 2013. 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.

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 23, 2015

This page intentionally left blank.

TABLE OF CONTENTS

	<u>Page</u>	
INDEPENDENT AUDITOR'S REPORT.....	2-3	
FINANCIAL STATEMENTS		
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2013.....	4	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2013.....	5	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2012.....	6	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2012.....	7	
Notes to Financial Statements.....	8-17	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>		18-19
SCHEDULE OF FINDINGS AND RESPONSES.....	20-22	
SCHEDULE OF PRIOR AUDIT FINDINGS.....	23	

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying combined statements of cash receipts, cash disbursements, and changes in fund cash balances - all governmental and proprietary fund types, of the Village of Lyons, Fulton County (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(d) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

www.lublinsussman.com

Lee D. Wunschel, CPA
Thomas J. Jaffee, JD, CPA
Eric M. Golus, CPA

Members:
American Institute of Certified Public Accountants
AICPA—Private Companies Practice Section
Ohio Society of Certified Public Accountants

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Government prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(d), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

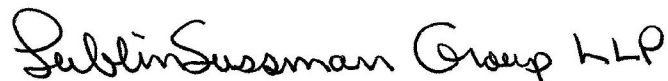
In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Lyons, Fulton County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(d) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.



December 8, 2014
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, 2013

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 70,245	\$ 17,651	\$ 0	\$ 87,896
Intergovernmental Receipts	26,828	30,711	0	57,539
Fines, Licenses, and Permits	1,738	0	0	1,738
Earnings on Investments	269	55	0	324
Miscellaneous	<u>7,733</u>	<u>2,162</u>	<u>0</u>	<u>9,895</u>
Total Cash Receipts	106,813	50,579	0	157,392
 Cash Disbursements:				
Current:				
Security of Persons and Property	14,110	0	0	14,110
Leisure Time Activities	0	6,477	0	6,477
Community Environment	600	0	0	600
Basic Utility Services	2,721	0	0	2,721
Transportation	13,215	33,278	0	46,493
General Government	81,682	94	0	81,776
Debt Service - Redemption of Principal	<u>0</u>	<u>337</u>	<u>0</u>	<u>337</u>
Total Cash Disbursements	<u>112,328</u>	<u>40,186</u>	<u>0</u>	<u>152,514</u>
Net Change in Fund Cash Balance	(5,515)	10,393	0	4,878
 Other Financing Receipts:				
Transfers-In	0	500	0	500
Transfers-Out	<u>(500)</u>	<u>0</u>	<u>0</u>	<u>(500)</u>
Total Other Financing Receipts	<u>(500)</u>	<u>500</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	(6,015)	10,893	0	4,878
Fund Cash Balances, January 1	<u>176,547</u>	<u>98,010</u>	<u>0</u>	<u>274,557</u>
 Fund Cash Balances, December 31:				
Restricted	0	108,903	0	108,903
Unassigned	<u>170,532</u>	<u>0</u>	<u>0</u>	<u>170,532</u>
Fund Cash Balances, December 31	<u><u>170,532</u></u>	<u><u>108,903</u></u>	<u><u>0</u></u>	<u><u>279,435</u></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, 2013

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 316,686
Miscellaneous	<u>146</u>
Total Operating Cash Receipts	316,832
Operating Cash Disbursements:	
Personal Services	86,874
Fringe Benefits	24,852
Contractual Services	93,823
Supplies and Materials	14,481
Other	<u>5,606</u>
Total Operating Cash Disbursements	<u>225,636</u>
Operating Income	91,196
Non-Operating Cash Receipts:	
Earnings on Investments	<u>115</u>
Total Non-Operating Cash Receipts	115
Non-Operating Cash Disbursements:	
Redemption of Principal	24,871
Interest and Other Fiscal Charges	<u>54,618</u>
Total Non-Operating Cash Disbursements	<u>79,489</u>
Loss Before Interfund Transfers	11,822
Transfers-In	74,721
Transfers-Out	<u>(74,721)</u>
	11,822
Net Change in Fund Cash Balance	<u>513,882</u>
Fund Cash Balance, January 1	<u>513,882</u>
Fund Cash Balance, December 31	<u>\$ 525,704</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, 2012

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Totals
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 71,141	\$ 16,568	\$ 0	\$ 87,709
Intergovernmental Receipts	27,714	33,623	98,365	159,702
Fines, Licenses, and Permits	2,243	0	0	2,243
Earnings on Investments	524	8	0	532
Miscellaneous	<u>21,831</u>	<u>2,443</u>	<u>0</u>	<u>24,274</u>
Total Cash Receipts	123,453	52,642	98,365	274,460
Cash Disbursements:				
Current:				
Security of Persons and Property	14,049	0	0	14,049
Leisure Time Activities	0	13,836	0	13,836
Community Environment	400	0	0	400
Basic Utility Services	3,030	0	0	3,030
Transportation	14,351	28,609	0	42,960
General Government	91,120	101	0	91,221
Capital Outlay	0	0	94,145	94,145
Debt Service - Redemption of Principal	<u>0</u>	<u>337</u>	<u>0</u>	<u>337</u>
Total Cash Disbursements	<u>122,950</u>	<u>42,883</u>	<u>94,145</u>	<u>259,978</u>
Net Change in Fund Cash Balances	503	9,759	4,220	14,482
Other Financing Receipts (Disbursements):				
Transfers-Out	0	0	(11,729)	(11,729)
Advances-In	35,000	0	35,000	70,000
Advances-Out	<u>(35,000)</u>	<u>0</u>	<u>(35,000)</u>	<u>(70,000)</u>
Total Other Financing Receipts (Disbursements)	<u>0</u>	<u>0</u>	<u>(11,729)</u>	<u>(11,729)</u>
Excess of Cash Receipts Over (Under) Cash Disbursements and Other Financing Receipts (Disbursements)	503	9,759	(7,509)	2,753
Fund Cash Balances - January 1	<u>176,044</u>	<u>88,251</u>	<u>7,509</u>	<u>271,804</u>
Fund Cash Balances, December 31:				
Restricted	0	98,010	0	98,010
Unassigned	<u>176,547</u>	<u>0</u>	<u>0</u>	<u>176,547</u>
Fund Cash Balances, December 31	<u>\$ 176,547</u>	<u>\$ 98,010</u>	<u>\$ 0</u>	<u>\$ 274,557</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, 2012

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 335,465
Miscellaneous	<u>4,100</u>
Total Operating Cash Receipts	339,565
Operating Cash Disbursements:	
Personal Services	77,995
Fringe Benefits	25,368
Contractual Services	99,370
Supplies and Materials	22,291
Other	<u>20,784</u>
Total Operating Cash Disbursements	<u>245,808</u>
Operating Income	93,757
Non-Operating Cash Receipts:	
Earnings on Investments	<u>99</u>
Total Non-Operating Cash Receipts	99
Non-Operating Cash Disbursements:	
Capital Outlay	1,779
Principal Redemption	23,712
Interest and Other Fiscal Charges	<u>55,571</u>
Total Non-Operating Cash Disbursements	<u>81,062</u>
Income Before Interfund Transfers	12,794
Transfers-In	86,163
Transfers-Out	<u>(74,434)</u>
Net Change in Fund Cash Balances	24,523
Fund Cash Balances, January 1	<u>489,359</u>
Fund Cash Balances, December 31	<u><u>\$ 513,882</u></u>

See Notes to Financial Statements

VILLAGE OF LYONS
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lyons, Fulton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. 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.

ACCOUNTING BASIS

These financial statements follow the accounting basis the Auditor of the State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of the State prescribes or permits.

DEPOSITS AND INVESTMENTS

The Village's accounting basis includes investments as assets. The basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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 reports all financial resources except those required to be accounted for in another fund.

VILLAGE OF LYONS
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from private-purpose 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.

Parks and Recreation - This fund receives property tax receipts and donations to fund construction and improvements to the park.

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.

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 Village 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.

VILLAGE OF LYONS
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

- 1. Non-spendable
The Village classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.
- 2. Restricted
Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
- 3. Committed
Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF LYONS
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification of the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(2) EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$ 360,719	\$ 344,254
Municipal Money Market	<u>444,420</u>	<u>444,185</u>
Total Deposits and Investments	<u>\$ 805,139</u>	<u>\$ 788,439</u>

DEPOSITS

Deposits are insured by the Federal Depository Insurance Corporation, or 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, 2013 AND 2012

(3) BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 96,158	\$ 106,813	\$ 10,655
Special Revenue	52,430	51,079	(1,351)
Capital Projects	0	0	0
Enterprise	<u>403,800</u>	<u>391,668</u>	<u>(12,132)</u>
Total	<u>\$ 552,388</u>	<u>\$ 549,560</u>	<u>\$ (2,828)</u>

2013 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 239,550	\$ 112,828	\$ 126,722
Special Revenue	97,300	40,186	57,114
Capital Projects	0	0	0
Enterprise	<u>515,000</u>	<u>379,846</u>	<u>135,154</u>
Total	<u>\$ 851,850</u>	<u>\$ 532,860</u>	<u>\$ 318,990</u>

2012 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 112,320	\$ 158,453	\$ 46,133
Special Revenue	51,320	52,642	1,322
Capital Projects	106,600	133,365	26,765
Enterprise	<u>397,500</u>	<u>425,827</u>	<u>28,327</u>
Total	<u>\$ 667,740</u>	<u>\$ 770,287</u>	<u>\$ 102,547</u>

2012 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 254,550	\$ 157,950	\$ 96,600
Special Revenue	87,000	42,883	44,117
Capital Projects	106,600	140,874	(34,274)
Enterprise	<u>542,200</u>	<u>401,304</u>	<u>140,896</u>
Total	<u>\$ 990,350</u>	<u>\$ 743,011</u>	<u>\$ 247,339</u>

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the Capital Outlay Fund by \$34,274 for the year end December 31, 2012. During 2012, appropriations exceeded estimated resources in the Capital Outlay Fund by \$726 because grant proceeds related to a capital project were not anticipated to be received until 2013.

VILLAGE OF LYONS
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(4) PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semi-annually, 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, 2013 and 2012 was as follows:

	Beginning Balance <u>01/01/13</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/13</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,246,000	\$ 0	\$ 20,000	\$1,226,000	\$ 21,000
Ohio Water Development Authority Note	61,442	0	3,814	57,628	3,867
Ohio Public Works Commission Note 2	2,363	0	338	2,025	337
Ohio Public Works Commission Note 3	<u>63,365</u>	<u>0</u>	<u>1,056</u>	<u>62,309</u>	<u>2,112</u>
Total	<u>\$1,373,170</u>	<u>\$ 0</u>	<u>\$ 25,208</u>	<u>\$1,347,962</u>	<u>\$ 27,316</u>

	Beginning Balance <u>01/01/12</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/12</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,266,000	\$ 0	\$ 20,000	\$1,246,000	\$ 20,000
Ohio Water Development Authority Note	65,154	0	3,712	61,442	3,814
Ohio Public Works Commission Note 2	2,700	0	337	2,363	338
Ohio Public Works Commission Note 3	<u>0</u>	<u>63,365</u>	<u>0</u>	<u>63,365</u>	<u>2,112</u>
Total	<u>\$1,333,854</u>	<u>\$ 63,365</u>	<u>\$ 24,049</u>	<u>\$1,373,170</u>	<u>\$ 26,264</u>

VILLAGE OF LYONS
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(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, 2013 and 2012 was \$84,000.

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.

The Ohio Public Works Commission (OPWC) note 2 was used for the North Adrian Street Resurfacing Project and approved up to \$21,000 for the project. The note will be repaid in semi-annual installments with no interest over 10 years, maturing in January 2020. 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 Public Works Commission (OPWC) note 3 was used for the Fulton and McKinley Street Resurfacing Project and approved up to \$95,000 for the project. The note will be repaid in semi-annual installments with no interest over 30 years, maturing in July, 2042. 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 an enterprise fund.

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

Year Ending December 31	Mortgage Revenue Bond	Ohio Water Development Authority Note	Ohio Public Works Commission Note 2	Ohio Public Works Commission Note 3
2014	\$ 73,105	\$ 5,478	\$ 337	\$ 2,112
2015	73,212	5,478	337	2,112
2016	73,278	5,478	337	2,112
2017	72,300	5,478	337	2,112
2018	73,322	5,478	337	2,112
2019-2023	365,826	27,389	507	10,561
2024-2028	365,270	13,694	0	10,561
2029-2033	364,320	0	0	10,561
2034-2038	366,148	0	0	10,561
2039-2043	365,329	0	0	9,505
Totals	<u>\$ 2,192,110</u>	<u>\$ 68,473</u>	<u>\$ 2,192</u>	<u>\$ 62,309</u>

VILLAGE OF LYONS
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(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 post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross wages. The Village contributed an amount equal to 14% of the participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

Pension expense amounted to \$18,371 and \$21,625 for 2013 and 2012, 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.

(8) SUBSEQUENT EVENTS

The Village has evaluated subsequent events through December 8, 2014, the date the financial statements were available to be issued. There were no subsequent events that required adjustment to the financial statements or additional disclosure.

(9) CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**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, 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, the financial statements of Village of Lyons, Fulton County, (the Village) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2014, in which we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Lyons's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Lyons's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses.

However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Lyons's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as items 2013-002 and 2013-003.

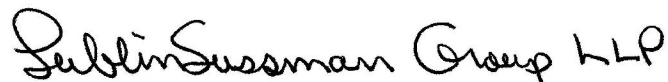
We noted certain non-compliance or other matters that we reported to the Village's management and council in a separate letter dated December 8, 2014.

Entity's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sublin Sussman Group LLP". The signature is written in a cursive, flowing style.

December 8, 2014
Toledo, Ohio

**VILLAGE OF LYONS
FULTON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2013-001

Significant Deficiency - Estimated Revenues and Appropriations in Accounting System

During our testing of budgetary compliance, we noted that the latest Council approved appropriation measures did not match the budgeted amounts entered into the accounting system for 2013 and 2012. We also noted that the latest Council approved certificate of estimated resources did not match the budgeted amounts entered into the accounting system for 2013 and 2012. Such differences could cause deficit spending and spending not in accordance with the legislative authority. We recommend all Council approved certificates of estimated resources and appropriation measures be duplicated into the accounting system.

Officials' Response: The Village will make sure all budgeted amounts entered into the accounting system will match Council approved estimated resources and appropriation measures.

**VILLAGE OF LYONS
FULTON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-002

Non-Compliance Citation - Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. During 2012, the Village had expenditures in excess of appropriations of \$34,274 for the capital projects fund.

Expenditures in excess of appropriations can cause deficit spending. We recommend the Village review and amend appropriations whenever necessary to prevent expenditures from exceeding appropriations, providing sufficient resources are available.

Officials' Response: The Village will obtain Council approved amended appropriation measures if the Village intends to make any expenditure of money.

**VILLAGE OF LYONS
FULTON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</p>

FINDING NUMBER 2013-003

Non-Compliance Citation - Appropriations in Excess of Estimated Resources

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

It was noted that appropriations exceeded estimated resources in the capital projects fund in the amounts of \$726 for the year ended December 31, 2012. 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 amend appropriations, if necessary.

VILLAGE OF LYONS
 FULTON COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Significant Deficiency: Controls over Cash Receipts at Park	Yes	
2011-002	Significant Deficiency: Estimated Revenues and Appropriations in Accounting System	No	Not Corrected: Appropriations in accounting system finding repeated as 2013-001.
2011-003	Non-compliance: Appropriations Exceeded Estimated Resources	No	Not Corrected: Appropriations exceeding estimated resources finding repeated as 2013-002 and 2013-003.

This page intentionally left blank.



Dave Yost • 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 7, 2015**