



Dave Yost • Auditor of State

VILLAGE OF LISBON
COLUMBIANA COUNTY

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Dave Yost • Auditor of State

Village of Lisbon
Columbiana County
203 North Market Street
Lisbon, Ohio 44432

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 24, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village of Lisbon:

We have audited the accompanying financial statements of the Village of Lisbon, Columbiana County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe 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.

Instead of the combined funds the accompanying financial statements present, GAAP require 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 requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Lisbon, Columbiana County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Lisbon adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

September 24, 2012

VILLAGE OF LISBON
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Other Local Taxes	\$100,020	\$115,316	\$5,090	\$0		\$220,426
Municipal Income Tax	1,094,574					1,094,574
Intergovernmental	244,092	503,220				747,312
Charges for Service	27,097	51,674			\$6,104	84,875
Fines, Licenses and Permits	20,768					20,768
Earnings on Investments		48			5,158	5,206
Miscellaneous	1,642					1,642
Total Cash Receipts	1,488,193	670,258	5,090	0	11,262	2,174,803
Cash Disbursements:						
Current:						
Security of Persons and Property	769,776	7,937				777,713
Public Health Services		146,844			465	147,309
Leisure Time Activities	9,682	55				9,737
Community Environment	22,920					22,920
Basic Utility Services		391,651				391,651
Transportation	1,437	322,844				324,281
General Government	292,358	4,507	133			296,998
Capital Outlay				30,680		30,680
Debt Service:						
Redemption of Principal	44,148		95,247			139,395
Interest and Other Fiscal Charges	47,648		3,554			51,202
Total Cash Disbursements	1,187,969	873,838	98,934	30,680	465	2,191,886
Total Receipts Over/(Under) Disbursements	300,224	(203,580)	(93,844)	(30,680)	10,797	(17,083)
Other Financing Receipts / (Disbursements):						
Transfers-In		190,000	71,343	35,335		296,678
Transfers-Out	(308,678)					(308,678)
Advances-In		13,000				13,000
Advances-Out					(13,000)	(13,000)
Other Financing Sources	41,435	4,823				46,258
Total Other Financing Receipts / (Disbursements)	(267,243)	207,823	71,343	35,335	(13,000)	34,258
Net Change in Fund Cash Balances	32,981	4,243	(22,501)	4,655	(2,203)	17,175
Fund Cash Balances, January 1 as restated (See note 9)	23,254	35,874	29,380	(97,830)	409,129	399,807
Fund Cash Balance, December 31						
Nonspendable					401,768	401,768
Restricted		40,117			5,158	45,275
Assigned			6,879			6,879
Unassigned (Deficit)	56,235			(93,175)		(36,940)
Fund Cash Balances, December 31	\$56,235	\$40,117	\$6,879	(\$93,175)	\$406,926	\$416,982

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

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,132,988
Total Operating Cash Receipts	1,132,988
Operating Cash Disbursements:	
Personal Services	254,201
Employee Fringe Benefits	85,142
Contractual Services	506,348
Supplies and Materials	278,217
Total Operating Cash Disbursements	1,123,908
Operating Income/(Loss)	9,080
Non-Operating Cash Receipts:	
Intergovernmental	58,455
Special Assessments	29,127
Earnings on Investments (proprietary funds)	1,921
Other Financing Sources	25,878
Total Non-Operating Cash Receipts	115,381
Non-Operating Cash Disbursements:	
Redemption of Principal	(158,397)
Interest and Other Fiscal Charges	(50,579)
Total Non-Operating Cash Disbursements	(208,976)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(84,515)
Transfers In	12,000
Net Change in Fund Cash Balances	(72,515)
Fund Cash Balances, January 1	\$280,293
Fund Cash Balances, December 31	\$207,778

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

VILLAGE OF LISBON
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Other Local Taxes	\$117,845	\$122,634	\$54,448			\$294,927
Municipal Income Tax	1,051,996					1,051,996
Intergovernmental	86,070	329,264	2,248			417,582
Charges for Services	44,144	71,398			\$6,173	121,715
Fines, Licenses and Permits	14,466					14,466
Earnings on Investments		78		\$762	9,549	10,389
Miscellaneous	758			6,824		7,582
Total Cash Receipts	1,315,279	523,374	56,696	7,586	15,722	1,918,657
Cash Disbursements:						
Current:						
Security of Persons and Property	743,709	7,356	276			751,341
Public Health Services		149,018			546	149,564
Leisure Time Activities	15,210					15,210
Community Environment	18,315					18,315
Basic Utility Services		212,788				212,788
Transportation	1,408	343,832				345,240
General Government	417,647	10,195				427,842
Capital Outlay				155,291		155,291
Debt Service:						
Redemption of Principal			91,954			91,954
Interest and Other Fiscal Charges			6,954			6,954
Total Cash Disbursements	1,196,289	723,189	99,184	155,291	546	2,174,499
Total Receipts Over/(Under) Disbursements	118,990	(199,815)	(42,488)	(147,705)	15,176	(255,842)
Other Financing Receipts / (Disbursements):						
Transfers-In	11,316	179,505	27,696	91,200		309,717
Transfers-Out	(307,930)	(11,421)	(15,216)			(334,567)
Other Financing Sources	115,491	2,487				117,978
Other Financing Uses					(20)	(20)
Total Other Financing Receipts / (Disbursements)	(181,123)	170,571	12,480	91,200	(20)	93,108
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(62,133)	(29,244)	(30,008)	(56,505)	15,156	(162,734)
Fund Cash Balances, January 1 as restated (See Note 9)	82,210	65,088	59,388	(41,325)	393,973	559,334
Fund Cash Balances, December 31	\$20,077	\$35,844	\$29,380	(\$97,830)	\$409,129	\$396,600

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

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,119,644
	1,119,644
Operating Cash Disbursements:	
Personal Services	203,665
Employee Fringe Benefits	66,193
Contractual Services	494,445
Supplies and Materials	240,081
	1,004,384
Total Operating Cash Disbursements	1,004,384
Operating Income/(Loss)	115,260
Non-Operating Cash Receipts:	
Special Assessments	49,681
Earnings on Investments	8,786
Sale of Notes	307,270
Other Debt Proceeds	90,000
Other Financing Sources	6,519
	462,256
Total Non-Operating Cash Receipts	462,256
Non-Operating Cash Disbursements:	
Capital Outlay	(307,270)
Redemption of Principal	(82,394)
Interest and Other Fiscal Charges	(197,362)
	(587,026)
Total Non-Operating Cash Disbursements	(587,026)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(9,510)
Transfers-In	31,400
Transfers-Out	(6,550)
	15,340
Net Receipts Over/(Under) Disbursements	15,340
Fund Cash Balances, January 1	264,953
	280,293
Fund Cash Balances, December 31	\$280,293
Reserve for Encumbrances, December 31	\$850

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

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lisbon, Columbiana County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, water and sewer utilities, street repair and maintenance, park and cemetery operations, and police and fire services

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of 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 State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This 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.

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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 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 LISBON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies - (Continued)

Cemetery Fund - This fund receives charges for services from citizens for the purchase of cemetery plots and burials.

Cemetery Endowment Fund – This fund receives monies from interest on investments and thirty percent of the sale of lots for the future care of the cemetery.

3. Debt Service Funds

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

Fire Levy Fund – This fund receives monies from property taxes to make payments on outstanding debt of the Village.

Debt Service Fund – This fund receives monies from property taxes to make payments on outstanding debt of the Village.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund – This fund receives proceeds from the general fund. The proceeds are being used to construct numerous projects throughout the Village.

5. Enterprise Funds

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

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

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

VILLAGE OF LISBON
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies - (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 Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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. Nonspendable

The Village classifies assets as *nonspendable* 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.

VILLAGE OF LISBON
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies - (Continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the 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.

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 for 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.

G. 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.

H. 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.

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 deposits and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$319,100	\$371,293
Certificates of deposit	305,660	305,600
Total deposits and investments	<u>\$624,760</u>	<u>\$676,893</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,532,486	\$1,529,628	(\$2,858)
Special Revenue	685,399	865,081	179,682
Debt Service	90,280	76,433	(13,847)
Capital Projects	0	35,335	35,335
Permanent	336,000	11,262	(324,738)
Enterprise	1,513,825	1,260,369	(253,456)
Total	<u>\$4,157,990</u>	<u>\$3,778,108</u>	<u>(\$379,882)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,532,486	\$1,496,647	\$35,839
Special Revenue	1,368,232	873,838	494,394
Debt Service	98,934	98,934	0
Capital Projects	68,600	30,680	37,920
Permanent	600	465	135
Enterprise	2,058,112	1,332,884	725,228
Total	<u>\$5,126,964</u>	<u>\$3,833,448</u>	<u>\$1,293,516</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,481,846	\$1,442,086	(\$39,760)
Special Revenue	765,172	705,366	(59,806)
Debt Service	33,131	84,392	51,261
Capital Projects	0	98,786	98,786
Permanent	324,301	15,722	(308,579)
Enterprise	1,328,223	1,613,300	285,077
Total	<u>\$3,932,673</u>	<u>\$3,959,652</u>	<u>\$26,979</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,483,484	\$1,504,219	(\$20,735)
Special Revenue	513,064	734,610	(221,546)
Debt Service	102,670	114,400	(11,730)
Capital Projects	155,291	155,291	0
Permanent	714	566	148
Enterprise	1,302,335	1,598,810	(296,475)
Total	<u>\$3,557,558</u>	<u>\$4,107,896</u>	<u>(\$550,338)</u>

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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 semiannually, 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. Local Income Tax

The Village levies a municipal income tax of 1 and 1/2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Water System Improvement Bonds	\$95,230	5.50%
Water Plant Loan	\$62,384	4.80%
Village Hall Loan	\$765,034	6.00%
OWDA Loan # 2319	\$80,752	4.18%
OWDA Loan # 4574	\$1,648,288	2.00%
OWDA Loan # 5353	\$50,258	1.00%
OWDA Loan # 5525	\$233,318	1.00%
OPWC Issue II Loan	301,067	0.00%
Total	\$3,236,331	

The Water System Improvement Bonds were taken out for the purpose of acquiring and constructing water line improvements. A local bank approved up to \$400,000 in bonds to the Village for this project in 1999. The loan will be repaid in semiannual payments of interest and annual payment of principal that are calculated based on the 5.50% interest rate, over a period of 10 years. The bonds are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover the bond debt service requirements.

The Water Plant Loan relates to a loan from 1st National Community Bank to purchase computers for the Water Plant. The loan is paid in monthly installments of \$1,693 including interest at a rate of 4.80% over 6 years.

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt – (Continued)

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

The OWDA Loan #2319 relates to major improvements to the water and sewer plant as required by the Environmental Protection Agency (EPA). The OWDA approved up to \$393,600 in loans to the Village for this project in 1994. The loan will be repaid in semiannual installments of \$14,418, including interest, at a rate of 4.18%, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt Service requirements.

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

The OWDA Loan #5353 relates to a Storm Sewer project. The OWDA approved up to \$53,941.23 in loans to the Village for this project in 2010. The loan will be repaid in semi-annual installments, including interest at a rate of 1% over 20 years.

The OWDA Loan #5525 relates to the Lincoln Avenue / North Market Street Combined Sewer Separation project. The OWDA approved up to \$ 250,416 in loans to the Village for this project in 2010. The loan will be repaid in semi-annual installments, including interest at a rate of 1% over 20 years.

The OPWC Issue II Loan relates to the repair and/or replacement of US Route 30, State Route 45 and State Route 164. OPWC approved up to \$648,300 in loans to the Village for this project in 1998. The loan will be repaid in semiannual installments of \$15,846, at an interest rate of 0%, over 20 years.

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

Year ending December 31:	Water System	Water Plant	Village Hall	OWDA Loan
	Improvement	Loan		#2319
	Bonds	Loan		
2012	\$18,715	\$20,312	\$91,802	\$14,418
2013	18,715	20,318	91,802	14,418
2014	18,715	20,318	91,802	14,418
2015	18,715	6,766	91,802	14,418
2016	18,715		91,802	14,418
2017-2021	18,715		459,011	14,418
2022-2026			153,004	
Total	\$112,290	\$67,714	\$1,071,025	\$86,508

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt – (Continued)

Year ending December 31:	OWDA Loan #4574	OWDA Loan #5353	OWDA Loan #5525	OPWC Issue II Loan
2012	\$124,201	\$2,982	\$13,846	\$31,691
2013	124,201	2,982	13,846	31,691
2014	124,201	2,982	13,846	31,691
2015	124,201	2,982	13,846	31,691
2016	124,201	2,982	13,846	31,691
2017-2021	621,005	14,912	69,229	142,611
2022-2026	621,005	14,912	69,229	
2027-2031	62,100	10,431	48,426	
Total	<u>\$1,925,115</u>	<u>\$55,165</u>	<u>\$256,114</u>	<u>\$301,066</u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials' liability
- Vehicles; and
- Errors and omissions.

9. Restatement of Fund Balances

The prior year report accounted for outstanding checks as a reconciling item. These checks were voided and subsequently added back to the original fund. The restatement had the following effect on fund balance at January 1, 2011.

	General	Spec. Revenue
Fund Balance, January 1, 2011	\$20,077	\$35,844
Outstanding check added back	3,177	30
Fund Balance, January 1, 2011	<u>\$23,254</u>	<u>\$35,874</u>

VILLAGE OF LISBON
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

9. Restatement of Fund Balances – (Continued)

In addition, the prior year report reported the General Fund balance as \$86,521. The Village's General Fund balance at January 1, 2010 was \$82,210. This difference of \$4,311 was undeterminable and Village Council has passed a resolution to accept the Village's fund balance. We therefore are reclassifying the audited General Fund balance by (\$4,311).

Finally, the prior year report included an audit adjustment in the amount totaling \$99,000. This adjustment was to move cemetery endowment receipts from the capital project fund to the cemetery endowment fund. This adjust was reflected in the prior year report. However, the Village didn't post this adjustment. A subsequent adjustment was made to move the cemetery endowment fund from a Special Revenue Fund to a Permanent Fund. We therefore will reclassify \$99,000 from the Special Revenue Fund to the Permanent Fund to reflect the adjustment that was not made by the Village in years past.

	<u>Special Revenue</u>	<u>Permanent</u>
Fund Balance, January 1, 2010	\$164,088	\$294,973
Reclassification of cemetery fund	(99,000)	99,000
Fund Balance, January 1, 2010	<u>\$65,088</u>	<u>\$393,973</u>

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Lisbon
Columbiana County
203 North Market Street
Lisbon, Ohio 44432

To the Village Council:

We have audited the financial statements of the Village of Lisbon (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 24, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. For the period ending December 31, 2011, we also noted the Village adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control 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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 24, 2012.

We intend this report solely for the information and use of management, the audit committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 24, 2012

**VILLAGE OF LISBON
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Negative fund balance within the general and capital improvement fund.	Yes	
2009-002	Expenditures plus encumbrances exceeded total appropriations.	No	Partially Corrected – current year citation will be reported within the management letter
2009-003	Estimated receipts were higher than actual receipts.	No	Partially Corrected – current year citation will be reported within the management letter
2009-004	Appropriations exceeded total estimated resources.	No	Partially Corrected – current year citation will be reported within the management letter

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VILLAGE OF LISBON

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 13, 2012