

**VILLAGE OF LYONS
FULTON COUNTY**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Lyons, Fulton County, prepared by LublinSussman Group LLP, for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Dave Yost
Auditor of State

January 22, 2013

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council

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, 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 audits.

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' 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 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 require 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.

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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 or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Lyons, Fulton County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 9, during 2011 the Village of Lyons 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 October 25, 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 audits.

Seiblin Sussman Group LLP

October 25, 2012
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, 2011

	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	\$ 71,567	\$ 16,571	\$ 0	\$ 88,138
Intergovernmental Receipts	36,212	32,185	0	68,397
Fines, Licenses, and Permits	1,828	0	0	1,828
Earnings on Investments	647	25	0	672
Miscellaneous	<u>6,675</u>	<u>5,113</u>	<u>0</u>	<u>11,788</u>
Total Cash Receipts	116,929	53,894	0	170,823
Cash Disbursements:				
Current:				
Security of Persons and Property	14,448	0	0	14,448
Leisure Time Activities	0	7,536	0	7,536
Community Environment	400	0	0	400
Basic Utility Services	2,790	0	0	2,790
Transportation	9,799	31,141	0	40,940
General Government	76,050	105	0	76,155
Capital Outlay	11,883	0	0	11,883
Debt Service - Redemption of Principal	<u>0</u>	<u>338</u>	<u>0</u>	<u>338</u>
Total Cash Disbursements	<u>115,370</u>	<u>39,120</u>	<u>0</u>	<u>154,490</u>
Net Change in Fund Cash Balance	1,559	14,774	0	16,333
Fund Cash Balances, January 1	<u>174,485</u>	<u>73,477</u>	<u>7,509</u>	<u>255,471</u>
Fund Cash Balances, December 31:				
Restricted	0	88,251	7,509	95,760
Unassigned	<u>176,044</u>	<u>0</u>	<u>0</u>	<u>176,044</u>
Fund Cash Balances, December 31	<u>\$ 176,044</u>	<u>\$ 88,251</u>	<u>\$ 7,509</u>	<u>\$ 271,804</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, 2011

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 308,427
Miscellaneous	<u>1,959</u>
Total Operating Cash Receipts	310,386
Operating Cash Disbursements:	
Personal Services	66,637
Fringe Benefits	20,220
Contractual Services	97,665
Supplies and Materials	22,294
Other	<u>28,154</u>
Total Operating Cash Disbursements	<u>234,970</u>
Operating Income	75,416
Non-Operating Cash Receipts:	
Earnings on Investments	<u>84</u>
Total Non-Operating Cash Receipts	84
Non-Operating Cash Disbursements:	
Redemption of Principal	21,612
Interest and Other Fiscal Charges	<u>56,436</u>
Total Non-Operating Cash Disbursements	<u>78,048</u>
Loss Before Interfund Transfers	(2,548)
Transfers-In	125,721
Transfers-Out	<u>(125,721)</u>
Net Change in Fund Cash Balance	(2,548)
Fund Cash Balance, January 1	<u>491,907</u>
Fund Cash Balance, December 31	\$ <u>489,359</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, 2010

	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	\$ 77,652	\$ 11,281	\$ 0	\$ 88,933
Intergovernmental Receipts	35,869	33,328	43,300	112,497
Fines, Licenses, and Permits	1,981	0	0	1,981
Earnings on Investments	777	11	0	788
Miscellaneous	<u>13,401</u>	<u>3,878</u>	<u>0</u>	<u>17,279</u>
Total Cash Receipts	129,680	48,498	43,300	221,478
Cash Disbursements:				
Current:				
Security of Persons and Property	12,961	0	0	12,961
Leisure Time Activities	0	12,955	0	12,955
Community Environment	400	0	0	400
Basic Utility Services	2,231	0	0	2,231
Transportation	8,995	23,858	0	32,853
General Government	84,277	96	0	84,373
Capital Outlay	58,287	0	43,300	101,587
Debt Service - Redemption of Principal	<u>0</u>	<u>4,337</u>	<u>0</u>	<u>4,337</u>
Total Cash Disbursements	<u>167,151</u>	<u>41,246</u>	<u>43,300</u>	<u>251,697</u>
Net Change in Fund Cash Balances	(37,471)	7,252	0	(30,219)
Fund Cash Balances - January 1	\$ <u>211,956</u>	\$ <u>66,225</u>	\$ <u>7,509</u>	\$ <u>285,690</u>
Fund Cash Balances, December 31	\$ <u>174,485</u>	\$ <u>73,477</u>	\$ <u>7,509</u>	\$ <u>255,471</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, 2010

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 317,904
Miscellaneous	<u>1,708</u>
Total Operating Cash Receipts	319,612
Operating Cash Disbursements:	
Personal Services	67,081
Fringe Benefits	18,881
Contractual Services	73,296
Supplies and Materials	17,951
Other	<u>41,892</u>
Total Operating Cash Disbursements	<u>219,101</u>
Operating Income	100,511
Non-Operating Cash Receipts:	
Earnings on Investments	<u>112</u>
Total Non-Operating Cash Receipts	112
Non-Operating Cash Disbursements:	
Principal Redemption	21,514
Interest and Other Fiscal Charges	<u>57,298</u>
Total Non-Operating Cash Disbursements	<u>78,812</u>
Income Before Interfund Transfers	21,811
Transfers-In	74,127
Transfers-Out	<u>(74,127)</u>
Net Change in Fund Cash Balances	21,811
Fund Cash Balances, January 1	<u>470,096</u>
Fund Cash Balances, December 31	\$ <u>491,907</u>
Reserve for Encumbrances, December 31	\$ <u>1,855</u>

See Notes to Financial Statements

VILLAGE OF LYONS
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(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, 2011 AND 2010

(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, 2011 AND 2010

(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 2011 and 2010 budgetary activity appears in Note 3.

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

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.

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, 2011 AND 2010

(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>2011</u>	<u>2010</u>
Demand Deposits	\$ <u>317,302</u>	\$ <u>303,871</u>
Total Deposits	<u>317,302</u>	<u>303,871</u>
 Municipal Money Market	 <u>443,861</u>	 <u>443,507</u>
Total Investments	<u>443,861</u>	<u>443,507</u>
Total Deposits and Investments	<u>\$ 761,163</u>	<u>\$ 747,378</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, 2011 AND 2010

(3) BUDGETARY ACTIVITY

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

2011 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 112,055	\$ 116,929	\$ 4,874
Special Revenue	46,246	53,894	7,648
Capital Projects	0	0	0
Enterprise	<u>426,800</u>	<u>436,191</u>	<u>9,391</u>
Total	<u>\$ 585,101</u>	<u>\$ 607,014</u>	<u>\$ 21,913</u>

2011 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 235,950	\$ 115,370	\$ 120,580
Special Revenue	82,500	39,120	43,380
Capital Projects	35,000	0	35,000
Enterprise	<u>556,700</u>	<u>438,739</u>	<u>117,961</u>
Total	<u>\$ 910,150</u>	<u>\$ 593,229</u>	<u>\$ 316,921</u>

2010 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 113,620	\$ 129,680	\$ 16,060
Special Revenue	46,470	48,498	2,028
Capital Projects	43,300	43,300	0
Enterprise	<u>400,300</u>	<u>393,851</u>	<u>(6,449)</u>
Total	<u>\$ 603,690</u>	<u>\$ 615,329</u>	<u>\$ 11,639</u>

2010 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 236,750	\$ 167,151	\$ 69,599
Special Revenue	78,000	41,246	36,754
Capital Projects	35,000	43,300	(8,300)
Enterprise	<u>538,000</u>	<u>373,895</u>	<u>164,105</u>
Total	<u>\$ 887,750</u>	<u>\$ 625,592</u>	<u>\$ 262,158</u>

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the Capital Outlay Fund by \$8,300 for the year end December 31, 2010. During 2011, appropriations exceeded estimated resources in the Capital Outlay Fund by \$27,491 because grant proceeds related to a capital project were not anticipated to be received until 2012.

VILLAGE OF LYONS
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(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) DEBT

Debt outstanding at December 31, 2011 and 2010 was as follows:

	Beginning Balance <u>01/01/11</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/11</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,284,000	\$ 0	\$ 18,000	\$1,266,000	\$ 18,000
Ohio Public Works Commission Note 1	0	0	0	0	0
Ohio Water Development Authority Note	68,766	0	3,612	65,154	5,478
Ohio Public Works Commission Note 2	<u>3,038</u>	<u>0</u>	<u>338</u>	<u>2,700</u>	<u>337</u>
Total	<u>\$1,355,804</u>	<u>\$ 0</u>	<u>\$ 21,950</u>	<u>\$1,333,854</u>	<u>\$ 23,815</u>

	Beginning Balance <u>01/01/10</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/10</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,302,000	\$ 0	\$ 18,000	\$1,284,000	\$ 18,000
Ohio Public Works Commission Note 1	4,000	0	4,000	0	0
Ohio Water Development Authority Note	72,280	0	3,514	68,766	5,478
Ohio Public Works Commission Note 2	<u>3,375</u>	<u>0</u>	<u>337</u>	<u>3,038</u>	<u>338</u>
Total	<u>\$1,381,655</u>	<u>\$ 0</u>	<u>\$ 25,851</u>	<u>\$1,355,804</u>	<u>\$ 23,816</u>

VILLAGE OF LYONS
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(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, 2011 is \$84,000.

The Ohio Public Works Commission (OPWC) note 1 was used for the South Adrian Street Drainage and Pavement Improvement Project and approved up to \$20,000 for the 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.

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.

VILLAGE OF LYONS
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(5) DEBT (CONTINUED)

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

<u>Year Ending December 31</u>	<u>Mortgage Revenue Bond</u>	<u>Ohio Water Development Authority Note</u>	<u>Ohio Public Works Commission Note 2</u>
2012	\$ 73,805	\$ 5,503	\$ 337
2013	72,955	5,503	337
2014	73,105	5,503	337
2015	73,212	5,503	337
2016	73,278	5,503	337
2017-2021	365,045	27,515	1,015
2022-2026	365,083	27,017	0
2027-2031	365,320	0	0
2032-2036	365,100	0	0
2037-2041	366,169	0	0
2042-2043	145,798	0	0
Totals	<u>\$ 2,338,870</u>	<u>\$ 82,047</u>	<u>\$ 2,700</u>

(6) RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

Pension expense amounted to \$18,409 and \$18,217 for 2011 and 2010, 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.

VILLAGE OF LYONS
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(8) SUBSEQUENT EVENTS

During 2012, the Village incurred capital outlay expenses of \$89,486 for a water main project on West Morenci Street. The project was partially funded with a zero interest Ohio Public Works Commission loan of \$71,600.

The Village has evaluated subsequent events through October 25, 2012, 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) CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2011, the Village adopted Governmental Accounting Standard Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statements No. 54 has no effect on cash fund balances as previously reported.

(10) 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.

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**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, 2011 and 2010, and have issued our report thereon dated October 25, 2012 wherein we noted that the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and adopted the provisions of Governmental Accounting Standards Board Statement No. 54 for the year ended December 31, 2011. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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 entity'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. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and response that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-001 and 2011-002 to be significant deficiencies. 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.

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 and responses as item 2011-003.

We noted certain noncompliance or other matters that we reported to the Village's management and council in a separate letter dated October 25, 2012.

The Village of Lyon'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.

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.

LublinSussman Group LLP

October 25, 2012
Toledo, Ohio

www.lublinsussman.com

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**VILLAGE OF LYONS
FULTON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Significant Deficiency - Controls over Cash Receipts at Park

During the audit, it was noted that there are no controls over sales and inventory at the park concession stands which began in 2010. Lack of controls may result in the loss of revenue, food, and other supplies. We recommend purchasing a register to record sales and implementing a policy that states all cash register sales must be reconciled to cash and inventory at the end of each day and submitted to the Fiscal Officer. A policy should also be adopted stating that no employees are to give away any free items.

Officials' Response: The Village will implement a system to record sales and track cash and inventory.

FINDING NUMBER 2011-002

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 2011 and 2010. We also noted that the latest Council approved certificate of estimated resources did not match the budgeted amounts entered into the accounting system for 2010. 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, 2011 AND 2010**

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

FINDING NUMBER 2011-003

Noncompliance 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 2010, the Village had expenditures in excess of appropriations of \$8,300 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 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; Explain:
2009-001	Material Weakness: Detection of Material Misstatement	Yes	
2009-002	Material Weakness: Recording of Grant Proceeds	Yes	
2009-003	Noncompliance: Appropriations Exceeded Estimated Resources	Yes	



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
FEBRUARY 5, 2013