

**VILLAGE OF LYONS**  
**FULTON COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Lyons  
126 W. Morenci Street  
P.O. Box 414  
Lyons, Ohio 43533

We have reviewed the *Independent Auditor's Report* of the Village of Lyons, Fulton County, prepared by LublinSussman Group LLP, for the audit period January 1, 2008 through December 31, 2009. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

November 5, 2010

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined statements of cash receipts, cash disbursements, and changes in fund cash balances - all governmental and proprietary fund types of the Village of Lyons, Fulton County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Governmental Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds presented in the accompanying financial statements, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Lyons, Fulton County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America had determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated July 14, 2010, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

*Seublin Sussman Group LLP*

July 14, 2010  
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, 2009

	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	\$ 72,947	\$ 11,754	\$ 0	\$ 84,701
Intergovernmental Receipts	35,930	31,873	5,809	73,612
Fines, Licenses, and Permits	1,200	0	0	1,200
Earnings on Investments	1,440	27	0	1,467
Miscellaneous	<u>1,119</u>	<u>3,689</u>	<u>0</u>	<u>4,808</u>
Total Cash Receipts	112,636	47,343	5,809	165,788
Cash Disbursements:				
Current:				
Security of Persons and Property	12,556	0	0	12,556
Leisure Time Activities	0	4,681	0	4,681
Community Environment	400	0	0	400
Basic Utility Services	2,691	0	0	2,691
Transportation	10,362	31,691	0	42,053
General Government	82,845	90	0	82,935
Capital Outlay	0	0	8,164	8,164
Debt Service - Redemption of Principal	<u>0</u>	<u>4,000</u>	<u>0</u>	<u>4,000</u>
Total Cash Disbursements	<u>108,854</u>	<u>40,462</u>	<u>8,164</u>	<u>157,480</u>
Total Receipts Over (Under) Disbursements	3,782	6,881	(2,355)	8,308
Other Financing Receipts:				
Sale of Notes	<u>0</u>	<u>0</u>	<u>3,375</u>	<u>3,375</u>
Total Other Financing Receipts	<u>0</u>	<u>0</u>	<u>3,375</u>	<u>3,375</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	3,782	6,881	1,020	11,683
Fund Cash Balances, January 1	<u>208,174</u>	<u>59,344</u>	<u>6,489</u>	<u>274,007</u>
Fund Cash Balances, December 31	<u>\$211,956</u>	<u>\$ 66,225</u>	<u>\$ 7,509</u>	<u>\$ 285,690</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, 2009

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 314,972
Miscellaneous	<u>1,700</u>
Total Operating Cash Receipts	316,672
Operating Cash Disbursements:	
Personal Services	65,155
Fringe Benefits	18,450
Contractual Services	71,701
Supplies and Materials	20,492
Other	<u>23,430</u>
Total Operating Cash Disbursements	<u>199,228</u>
Operating Income	117,444
Non-Operating Cash Receipts:	
Earnings on Investments	<u>316</u>
Total Non-Operating Cash Receipts	316
Non-Operating Cash Disbursements:	
Redemption of Principal	22,050
Interest and Other Fiscal Charges	<u>59,184</u>
Total Non-Operating Cash Disbursements	<u>81,234</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	36,526
Transfers-In	74,065
Transfers-Out	<u>(74,065)</u>
Net Receipts Over Disbursements	36,526
Fund Cash Balances, January 1	<u>433,570</u>
Fund Cash Balances, December 31	\$ <u>470,096</u>
Reserve for Encumbrances, December 31	\$ <u>0</u>

See Notes to Financial Statements

VILLAGE OF LYONS  
 FULTON COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	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	\$ 73,106	\$ 11,882	\$ 0	\$ 84,988
Intergovernmental Receipts	98,304	32,662	135,844	266,810
Fines, Licenses, and Permits	903	0	0	903
Earnings on Investments	13,100	107	0	13,207
Miscellaneous	<u>4,096</u>	<u>9,085</u>	<u>0</u>	<u>13,181</u>
Total Cash Receipts	189,509	53,736	135,844	379,089
Cash Disbursements:				
Current:				
Security of Persons and Property	11,500	0	0	11,500
Leisure Time Activities	0	17,470	0	17,470
Community Environment	569	0	0	569
Basic Utility Services	624	0	0	624
Transportation	10,706	18,741	0	29,447
General Government	95,381	93	0	95,474
Capital Outlay	0	0	145,277	145,277
Debt Service - Redemption of Principal	<u>0</u>	<u>4,000</u>	<u>0</u>	<u>4,000</u>
Total Cash Disbursements	<u>118,780</u>	<u>40,304</u>	<u>145,277</u>	<u>304,361</u>
Total Receipts Over (Under) Disbursements	70,729	13,432	(9,433)	74,728
Fund Cash Balances - January 1, As Previously Reported	137,445	53,912	7,922	199,279
Prior Period Adjustment (Note 8)	<u>0</u>	<u>(8,000)</u>	<u>8,000</u>	<u>0</u>
Fund Cash Balances - January 1, As Restated	<u>\$ 137,445</u>	<u>\$ 45,912</u>	<u>\$ 15,922</u>	<u>\$ 199,279</u>
Fund Cash Balances, December 31	<u>\$ 208,174</u>	<u>\$ 59,344</u>	<u>\$ 6,489</u>	<u>\$ 274,007</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, 2008

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 317,168
Miscellaneous	<u>781</u>
Total Operating Cash Receipts	317,949
Operating Cash Disbursements:	
Personal Services	83,066
Fringe Benefits	20,828
Contractual Services	154,052
Supplies and Materials	17,504
Other	<u>37,127</u>
Total Operating Cash Disbursements	<u>312,577</u>
Operating Income	5,372
Non-Operating Cash Receipts:	
Intergovernmental	69,200
Earnings on Investments	<u>2,203</u>
Total Non-Operating Cash Receipts	71,403
Non-Operating Cash Disbursements:	
Capital Outlay	4,404
Principal Redemption	17,660
Interest and Other Fiscal Charges	<u>57,829</u>
Total Non-Operating Cash Disbursements	<u>79,893</u>
Excess of Receipts Under Disbursements Before Interfund Transfers	(3,118)
Transfers-In	89,880
Transfers-Out	<u>(89,880)</u>
Net Receipts Under Disbursements	(3,118)
Fund Cash Balances, January 1	<u>436,688</u>
Fund Cash Balances, December 31	\$ <u>433,570</u>
Reserve for Encumbrances, December 31	\$ <u>0</u>

See Notes to Financial Statements

VILLAGE OF LYONS  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**ORGANIZATION**

The Village of Lyons, Fulton County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, and park operations (leisure time activities). The Village contracts with the Fulton County Sheriff's department to provide security of persons and property.

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

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

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

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

**CASH AND INVESTMENTS**

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 is the general operating fund. It is used to account for 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, 2009 AND 2008

**(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 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 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, 2009 AND 2008

**(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. The Village did encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**PROPERTY, PLANT, AND EQUIPMENT**

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

**ACCUMULATED LEAVE**

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

**(2) EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$ <u>312,708</u>	\$ <u>265,798</u>
Total Deposits	<u>312,708</u>	<u>265,798</u>
 Municipal Money Market	 <u>443,078</u>	 <u>441,779</u>
Total Investments	<u>443,078</u>	<u>441,779</u>
Total Deposits and Investments	\$ <u>755,786</u>	\$ <u>707,577</u>

**DEPOSITS**

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

**INVESTMENTS**

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

VILLAGE OF LYONS  
 FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**(3) BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

**2009 BUDGETED VS. ACTUAL RECEIPTS**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 128,675	\$ 112,636	\$ (16,039)
Special Revenue	46,332	47,343	1,011
Capital Projects	72,200	5,809	(66,391)
Enterprise	<u>402,500</u>	<u>391,053</u>	<u>(11,447)</u>
Total	<u>\$ 649,707</u>	<u>\$ 556,841</u>	<u>\$ (92,866)</u>

**2009 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 210,350	\$ 108,854	\$ 101,496
Special Revenue	71,500	40,462	31,038
Capital Projects	75,000	8,164	66,836
Enterprise	<u>546,900</u>	<u>354,527</u>	<u>192,373</u>
Total	<u>\$ 903,750</u>	<u>\$ 512,007</u>	<u>\$ 391,743</u>

**2008 BUDGETED VS. ACTUAL RECEIPTS**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 115,850	\$ 189,509	\$ 73,659
Special Revenue	43,370	53,736	10,366
Capital Projects	135,844	135,844	0
Enterprise	<u>410,500</u>	<u>479,232</u>	<u>68,732</u>
Total	<u>\$ 705,564</u>	<u>\$ 858,321</u>	<u>\$ 152,757</u>

**2008 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 213,950	\$ 118,780	\$ 95,170
Special Revenue	77,500	40,304	37,196
Capital Projects	192,870	145,277	47,593
Enterprise	<u>573,007</u>	<u>482,350</u>	<u>90,657</u>
Total	<u>\$ 1,057,327</u>	<u>\$ 786,711</u>	<u>\$ 270,616</u>

Contrary to Ohio law, budgetary appropriations exceeded available resources in the capital projects fund by \$59,327 and \$41,104 for 2009 and 2008, respectively.

VILLAGE OF LYONS  
 FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**(4) PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**(5) DEBT**

Debt outstanding at December 31, 2009 and 2008 was as follows:

	Beginning Balance <u>01/01/09</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/09</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,319,000	\$ 0	\$ 17,000	\$1,302,000	\$ 18,000
Ohio Public Works Commission Note 1	8,000	0	4,000	4,000	2,000
Ohio Water Development Authority Note	77,330	0	5,050	72,280	1,758
Ohio Public Works Commission Note 2	<u>0</u>	<u>3,375</u>	<u>0</u>	<u>3,375</u>	<u>169</u>
Total	<u>\$1,404,330</u>	<u>\$ 3,375</u>	<u>\$ 26,050</u>	<u>\$1,381,655</u>	<u>\$ 21,927</u>

	Beginning Balance <u>01/01/08</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/08</u>	Amounts Due Within <u>One Year</u>
Mortgage Revenue Bonds	\$1,335,000	\$ 0	\$ 16,000	\$1,319,000	\$ 17,000
Ohio Public Works Commission Note 1	12,000	0	4,000	8,000	4,000
Ohio Water Development Authority Note	<u>78,990</u>	<u>0</u>	<u>1,660</u>	<u>77,330</u>	<u>5,050</u>
Total	<u>\$1,425,990</u>	<u>\$ 0</u>	<u>\$ 21,660</u>	<u>\$1,404,330</u>	<u>\$ 26,050</u>



VILLAGE OF LYONS  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**(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, 2009 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, 2009 AND 2008

**(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 Public Works Commission Note 1</u>	<u>Ohio Water Development Authority Note</u>	<u>Ohio Public Works Commission Note 2</u>
2010	\$ 73,335	\$ 2,000	\$ 2,751	\$ 169
2011	72,570	2,000	5,503	337
2012	73,805	0	5,503	337
2013	72,955	0	5,503	337
2014	73,105	0	5,503	337
2015-2019	365,373	0	27,515	1,687
2020-2024	365,832	0	27,515	171
2025-2029	364,918	0	10,508	0
2030-2034	364,310	0	0	0
2035-2039	365,970	0	0	0
2030-2044	<u>292,602</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 2,484,775</u>	<u>\$ 4,000</u>	<u>\$ 90,301</u>	<u>\$ 3,375</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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, 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, 2009.

Pension expense amounted to \$17,590 and \$19,826 for 2009 and 2008, 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, 2009 AND 2008

**(8) PRIOR PERIOD ADJUSTMENT**

During the years ended December 31, 2009 and 2008, it was discovered that 2008 and 2007 principal payments made to the Ohio Public Works Commission Note 1 were being adjusted to the Capital Projects Fund. The principal payments should have been recorded in the Special Revenue Fund. The net effect of this item on the January 1, 2008 Special Revenue and Capital Projects Fund Cash balance is as follows:

	As of December <u>31, 2007</u>	Prior Period <u>Adjustment</u>	January 1, 2008, As <u>Restated</u>
Special Revenue Fund Cash Balance	\$ 53,912	\$ (8,000)	\$ 45,912
Capital Projects Fund Cash Balance	7,922	8,000	15,922

**(9) SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through July 14, 2010, 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

**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, 2009 and 2008, and have issued our report thereon dated July 14, 2010 wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State prescribes, rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. The results of our tests disclosed two instances of control deficiencies that are required to be disclosed under Government Auditing Standards, which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

#### 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 2009-003.

We noted certain noncompliance or other matters that we reported to the Village's management and council in a separate letter dated July 14, 2010.

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

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

*Seublin Sussman Group LLP*

July 14, 2010  
Toledo, Ohio

**VILLAGE OF LYONS  
FULTON COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Material Weakness - Detection of material misstatements

An adequately designed internal control structure includes the ability of an Organization to detect and prevent material misstatements in the financial statements. During the audit, it was determined that postings and entries made by management resulted in material misstatements to the financial statement and had to be corrected.

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Village Administrator, Fiscal Officer and Village Council, to identify and correct errors and omissions. Also, the Village Administrator and Fiscal Officer can refer to the UAN accounting manual at the following web site address for guidance on the posting of transactions:

[http://uanlink.auditor.state.oh.us/pdf/uan\\_win\\_software/AccountingManual.pdf](http://uanlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf).

Officials' Response: The Village needs to ensure that transactions are being properly posted and that the financial statements are not materially misstated.

FINDING NUMBER 2009-002

Material Weakness - Recording of grant proceeds

During our audit, it was discovered that grant proceeds and disbursements, received indirectly, were not recorded by the Village. This error caused the financial statements to be materially misstated.

We recommend that all grant proceeds and disbursements not directly received by the Village be recorded in accordance with the basis of accounting described in Note 1 of the financial statements.

Officials' Response: The Village will record all grant proceeds received indirectly as a cash receipt and cash disbursement in the year the transaction occurs.

**VILLAGE OF LYONS  
FULTON COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-003

Noncompliance Citation

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

It was noted that appropriations exceeded actual available resources in the capital projects fund in the amounts of \$59,327 and \$41,104 for 2009 and 2008, respectively. We recommend that the Village review the estimated resources and appropriation calculations throughout the year to protect funds from being overspent.

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

VILLAGE OF LYONS  
 FULTON COUNTY  
 SCHEDULE OF PRIOR AUDIT FINDINGS  
 December 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2007-001	Noncompliance: Appropriations exceeded actual available resources which is not in compliance with Ohio Revised Code Section 5705.36(A)(2)	No	Repeated as Finding 2009-003





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF LYONS**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 18, 2010**