



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF LISBON  
COLUMBIANA COUNTY

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Lisbon  
Columbiana County  
24 Nelson Avenue  
Lisbon, Ohio 44432

To the Village Council:

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, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

November 6, 2002

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$65,968	\$125,551	\$0	\$0	\$0	\$191,519
Intergovernmental Receipts	145,601	100,277				245,878
Charges for Services	11,820		104,342	15,836		131,998
Fines, Licenses, and Permits	95,102	37,327				132,429
Earnings on Investments	65,245	160		2,471	5,737	73,613
Miscellaneous	40,482			54,307		94,789
<b>Total Cash Receipts</b>	<b>424,218</b>	<b>263,315</b>	<b>104,342</b>	<b>72,614</b>	<b>5,737</b>	<b>870,226</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	662,892	37,301				700,193
Public Health Services	2,438	120,820			7,078	130,336
Leisure Time Activities	20,087					20,087
Community Environment	68,245					68,245
Basic Utility Services			900	3,212		4,112
Transportation		313,936				313,936
General Government	204,375	24,645				229,020
Debt Service:						
Principal Payments		22,962	371,140			394,102
Capital Outlay				138,467		138,467
<b>Total Cash Disbursements</b>	<b>958,037</b>	<b>519,664</b>	<b>372,040</b>	<b>141,679</b>	<b>7,078</b>	<b>1,998,498</b>
Total Receipts Over/(Under) Disbursements	(533,819)	(256,349)	(267,698)	(69,065)	(1,341)	(1,128,272)
<b>Other Financing Receipts and (Disbursements):</b>						
Sale of Bonds or Notes			76,355			76,355
Transfers-In	272,000	156,011	24,048	198,882		650,941
Transfers-Out	(161,122)					(161,122)
Other Financing Sources	12,240	5,021	19,468			36,729
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>123,118</b>	<b>161,032</b>	<b>119,871</b>	<b>198,882</b>	<b>0</b>	<b>602,903</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(410,701)	(95,317)	(147,827)	129,817	(1,341)	(525,369)
Fund Cash Balances, January 1	912,662	454,431	119,753	(13,026)	5,878	1,479,698
<b>Fund Cash Balances, December 31</b>	<b>\$501,961</b>	<b>\$359,114</b>	<b>(\$28,074)</b>	<b>\$116,791</b>	<b>\$4,537</b>	<b>\$954,329</b>
Reserves for Encumbrances, December 31	\$4,715	\$1,321	\$0	\$7,434	\$0	\$13,470

*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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$899,424	\$7,127	\$0	\$906,551
Interest		11,465		11,465
Miscellaneous	598			598
Total Operating Cash Receipts	900,022	18,592	0	918,614
<b>Operating Cash Disbursements:</b>				
Personal Services	206,197		21,063	227,260
Fringe Benefits	62,129		9,218	71,347
Contractual Services	377,518		1,557	379,075
Supplies and Materials	183,260		8,940	192,200
Miscellaneous			135,292	135,292
Total Operating Cash Disbursements	829,104	0	176,070	1,005,174
Operating Income/(Loss)	70,918	18,592	(176,070)	(86,560)
<b>Non-Operating Cash Receipts:</b>				
Property Tax and Other Local Taxes			929,298	929,298
Intergovernmental Receipts	6,023			6,023
Fines, Licenses, and Permits			118,021	118,021
Interest	6,104			6,104
Other Financing Sources	3,133		475	3,608
Total Non-Operating Cash Receipts	15,260	0	1,047,794	1,063,054
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	84,128			84,128
Total Non-Operating Cash Disbursements	84,128	0	0	84,128
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	2,050	18,592	871,724	892,366
Transfers-In	20,000			20,000
Transfers-Out			(509,819)	(509,819)
Net Receipts Over/(Under) Disbursements	22,050	18,592	361,905	402,547
Fund Cash Balances, January 1	610,502	219,554	434,483	1,264,539
<b>Fund Cash Balances, December 31</b>	<b>\$632,552</b>	<b>\$238,146</b>	<b>\$796,388</b>	<b>\$1,667,086</b>
Reserve for Encumbrances, December 31	\$6,910	\$0	\$0	\$6,910

*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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$66,679	\$123,098	\$0	\$0	\$0	\$189,777
Special Assessments			99,544			99,544
Intergovernmental Receipts	123,550	141,942				265,492
Charges for Services	27,160	64,288	43,281	8,199	6,182	149,110
Fines, Licenses, and Permits	109,573					109,573
Earnings on Investments	76,240	10,624			239	87,103
Miscellaneous	68,506					68,506
<b>Total Cash Receipts</b>	<b>471,708</b>	<b>339,952</b>	<b>142,825</b>	<b>8,199</b>	<b>6,421</b>	<b>969,105</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	589,031	9,756				598,787
Public Health Services	4,529	113,265			5,013	122,807
Leisure Time Activities	8,065					8,065
Community Environment	94,629					94,629
Transportation		196,730				196,730
General Government	230,510	13,273				243,783
Debt Service:						
Principal Payments		20,837	120,626			141,463
Capital Outlay				107,444		107,444
<b>Total Cash Disbursements</b>	<b>926,764</b>	<b>353,861</b>	<b>120,626</b>	<b>107,444</b>	<b>5,013</b>	<b>1,513,708</b>
Total Receipts Over/(Under) Disbursements	(455,056)	(13,909)	22,199	(99,245)	1,408	(544,603)
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In	340,000	84,038		134,316		558,354
Transfers-Out	(173,354)	0	0	0	0	(173,354)
Other Financing Uses			(392,082)			(392,082)
Other Financing Sources	6,578	3,663				10,241
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>173,224</b>	<b>87,701</b>	<b>(392,082)</b>	<b>134,316</b>	<b>0</b>	<b>3,159</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(281,832)	73,792	(369,883)	35,071	1,408	(541,444)
Fund Cash Balances, January 1	1,194,494	380,639	489,636	(48,097)	4,470	2,021,142
<b>Fund Cash Balances, December 31</b>	<b>\$912,662</b>	<b>\$454,431</b>	<b>\$119,753</b>	<b>(\$13,026)</b>	<b>\$5,878</b>	<b>\$1,479,698</b>
Reserves for Encumbrances, December 31	\$13,052	\$600	\$0	\$76,124	\$0	\$89,776

*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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency		
<b>Operating Cash Receipts:</b>					
Charges for Services	\$911,508		\$0		\$911,508
Interest	5,127				5,127
<b>Total Operating Cash Receipts</b>	<b>916,635</b>	<b>0</b>	<b>0</b>		<b>916,635</b>
<b>Operating Cash Disbursements:</b>					
Personal Services	182,237		20,100		202,337
Fringe Benefits	49,898		8,085		57,983
Contractual Services	480,275		909		481,184
Supplies and Materials	162,056	5,028	6,268		173,352
Miscellaneous			136,474		136,474
<b>Total Operating Cash Disbursements</b>	<b>874,466</b>	<b>5,028</b>	<b>171,836</b>		<b>1,051,330</b>
Operating Income/(Loss)	42,169	(5,028)	(171,836)		(134,695)
<b>Non-Operating Cash Receipts:</b>					
Property Tax and Other Local Taxes			890,315		890,315
Fines, Licenses, and Permits			112,828		112,828
Other Financing Sources	5,679		571		6,250
<b>Total Non-Operating Cash Receipts</b>	<b>5,679</b>	<b>0</b>	<b>1,003,714</b>		<b>1,009,393</b>
<b>Non-Operating Cash Disbursements:</b>					
Debt Service	82,237				82,237
<b>Total Non-Operating Cash Disbursements</b>	<b>82,237</b>	<b>0</b>	<b>0</b>		<b>82,237</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(34,389)	(5,028)	831,878		792,461
Transfers-In	40,000				40,000
Transfers-Out			(425,000)		(425,000)
Net Receipts Over/(Under) Disbursements	5,611	(5,028)	406,878		407,461
Fund Cash Balances, January 1	604,891	224,582	27,605		857,078
<b>Fund Cash Balances, December 31</b>	<b>\$610,502</b>	<b>\$219,554</b>	<b>\$434,483</b>		<b>\$1,264,539</b>
Reserve for Encumbrances, December 31	\$3,876	\$0	\$294		\$4,170

*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, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Lisbon, Columbiana 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 water and sewer utilities, park operations, cemetery services, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

**B. 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.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

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 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, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Cemetery Fund* - This fund receives monies from tax levies as well as charges for services for the cost of operation, maintenance and upkeep of the Village cemetery.

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

*Light Pole Downtown Revitalization Loan* - This fund received money from the Chamber of Commerce's sale of bricks on the newly constructed sidewalks as well as note proceeds borrowed from a local bank to help pay for the purchase and installation of light poles in the Village.

*SR154 Waterline Bond Account* - This fund received money from a bond issue to finance the expansion of waterline improvements. The bonds will be repaid from water receipts.

**4. 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 or trust funds). The Village had the following significant capital project fund:

*Capital Improvement Fund* - This fund receives proceeds from the General fund. The proceeds are being used to construct numerous projects throughout the Village, the largest of which was the Pendleton Street project.

**5. Enterprise Funds**

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

*Water Operating Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Operating Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**6. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

*Income Tax Fund*- The Village levies an income tax of 1.5% on all income earned within the village as well as on incomes by residents earned outside the Village. Income tax revenues are for general fund operations and capital improvements.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*John H. Clarke Fund* - This fund receives monies from interest on investments for the operation, supplies, materials, maintenance and upkeep of the cemetery.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. 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 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 2001 and 2000 budgetary activity appears in Note 3.

**F. 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.

**G. 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.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investment 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:

	2001	2000
Demand deposits	\$ 9,417	\$ 38,570
Certificates of deposit	405,000	405,000
Total deposits	414,417	443,570
Repurchase agreements	2,206,998	2,300,667
Total investments	2,206,998	2,300,667
Total deposits and investments	\$2,621,415	\$2,744,237

**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:** The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$971,129	\$708,458	(\$262,671)
Special Revenue	393,355	424,347	30,992
Debt Service	105,000	224,213	119,213
Capital Projects	80,000	271,496	191,496
Enterprise	930,000	935,282	5,282
Fiduciary	1,006,000	1,072,123	66,123
Total	\$3,485,484	\$3,635,919	\$150,435

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,545,756	\$1,123,874	\$421,882
Special Revenue	622,162	520,985	101,177
Debt Service	534,728	372,040	162,688
Capital Projects	364,391	149,113	215,278
Enterprise	1,507,051	920,142	586,909
Fiduciary	859,484	692,967	166,517
Total	\$5,433,572	\$3,779,121	\$1,654,451

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$926,086	\$818,286	(\$107,800)
Special Revenue	323,199	427,653	104,454
Debt Service	20,000	142,825	122,825
Capital Projects	65,000	142,515	77,515
Enterprise	928,000	962,314	34,314
Fiduciary	810,500	1,010,135	199,635
Total	\$3,072,785	\$3,503,728	\$430,943

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,303,850	\$1,113,170	\$1,190,680
Special Revenue	512,723	354,461	158,262
Debt Service	554,298	512,708	41,590
Capital Projects	354,142	183,568	170,574
Enterprise	1,820,062	960,579	859,483
Fiduciary	1,000,508	607,171	393,337
Total	\$6,545,583	\$3,731,657	\$2,813,926

Contrary to Ohio law, budgetary transfers were not properly approved in 21 out of 28 times in 2001 and in 10 out of 12 times in 2000.

Contrary to Ohio law, total appropriations exceeded total estimated revenue available in the State Grants Phase II fund.

Contrary to Ohio law, expenditures were made without proper certification of the fiscal officer.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, estimated receipts were in excess of actual receipts and these reduced receipt amounts caused the total amount of funds available to fall below the total appropriations in the General fund for 2000 and 2001 and the OWDA-Sewer Debt fund for 2001.

**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. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1½ 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.



**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Waterworks System Improvement Bonds	\$80,000	6.78%
Ohio Public Works Commission (OPWC) Loan	12,125	0.00%
OWDA Water Extension Loan	160,439	10.98%
OWDA Loan	286,962	4.18%
7 Ton Truck Loan	2,662	5.00%
Downtown Revitalization Project	124,546	4.50%
Water System Improvement Bonds	336,157	5.50%
OPWC Issue II Loan	602,135	0.00%
Street Sweeper	33,166	5.79%
OWDA Loan 125DW (Stand Pipe)	68,714	3.20%
Total	\$1,706,619	

The Waterworks System Improvement Bonds were issued in 1979 in the amount totaling \$292,000. They were issued to pay the cost of improving the municipal waterworks system by constructing additional water treatment and distribution facilities.

The OPWC Loan was issued in 1993 in the amount totaling \$48,500. This loan was used for the demolition and disposal of the existing aerator, housing and 20,000 gallon settling basin and the installation of new induced draft aerator equipment and 10,000 gallon settling tank.

The Ohio Water Development Authority (OWDA) Water Extension loan relates to a water and sewer plant expansion project that was taken on to expand and repair current water and sewer services. The expansion to the sewer plant consists of a second filter at the Water Treatment Plant to double the treatment capacity. The OWDA approved up to \$650,000 in loans to the Village for this project in 1984. The loan will be repaid in semiannual installments of \$12,342 of interest, plus accumulated principal at a rate of 10.98%, over 25 years (will be paid off in 2008). The scheduled payment has been adjusted to reflect the final amount actually borrowed. 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 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 7 Ton Truck Loan from 1<sup>st</sup> National Bank totaled \$45,636 and was issued in 1999 for the purchase of a seven ton truck. Payments of \$1,369 per month will continue for two months in 2002 at which time the loan would be paid in full.

The Downtown Revitalization Project is a loan used for downtown renovation. The loan was issued in 1999 in the amount of \$157,782 and is to be paid in monthly installments over 10 years.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (Continued)**

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 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. The loan is collateralized by local government receipts.

The Street Sweeper Loan was issued in 1999 for an amount totaling \$55,000. The Village will pay off this loan in annual payments of \$12,359, including interest, over a five year period.

The OWDA Loan 125 DW relates to the design of the Northside distribution system improvements. The OWDA approved a \$95,905 loan amount for this project in 2000. The loan will be repaid in semiannual installments of \$10,455, including interest, at a rate of 3.2% over five years. The loan is collateralized by water service charges. The Village has agreed to set water rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	Waterworks System Imp. Bonds	OPWC Loan	OWDA Water Extension Loan	OWDA Loan	7 Ton Truck Lease	Downtown Revitalization Project
2002	\$15,500	\$4,850	\$42,299	\$28,836	\$2,738	\$19,686
2003	14,813	4,850	39,589	28,836	0	19,686
2004	14,125	2,425	36,879	28,836	0	19,686
2005	13,437	0	34,169	28,836	0	19,686
2006	12,750	0	31,458	28,836	0	19,685
2007-2011	34,125	0	42,445	144,182	0	48,421
2012-2016	0	0	0	86,509	0	0
2017-2021	0	0	0	0	0	0
<b>Total</b>	<b>\$104,750</b>	<b>\$12,125</b>	<b>\$226,839</b>	<b>\$374,871</b>	<b>\$2,738</b>	<b>\$146,850</b>

Year ending December 31:	Water System Improvement Bonds	Issue II Loan	Street Sweeper	OWDA Loan 125DW	Total Payment Requirements
2002	\$53,067	\$31,691	\$12,359	\$20,909	\$231,935
2003	53,067	31,691	12,359	20,909	225,800
2004	53,067	31,691	12,360	20,909	219,978
2005	53,067	31,691	0	10,455	191,341
2006	53,067	31,691	0	0	177,487
2007-2011	151,046	158,457	0	0	578,676
2012-2016	0	158,457	0	0	244,966
2017-2021	0	126,765	0	0	126,765
<b>Total</b>	<b>\$416,381</b>	<b>\$602,134</b>	<b>\$37,078</b>	<b>\$73,182</b>	<b>\$1,996,948</b>

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

Effective July 1, 1991, volunteer firefighters not otherwise covered by the Public Employees Retirement System or the Ohio Police and Fire Pension Fund are covered by Social Security. For the period January 1, 2000 through December 31, 2001, the Village's volunteer firefighters who are covered by Social Security contributed 6.2% of their gross salary with the Village contributing an equal amount of 6.2% of the gross salaries. The Village has paid Social Security for all contributions required through December 31, 2001.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**9. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Lisbon  
Columbiana County  
24 Nelson Avenue  
Lisbon, Ohio 44432

To the Village Council:

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, 2001 and 2000, and have issued our report thereon dated November 6, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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 and contracts, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-31215-001 to 2001-31215-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated November 6, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 6, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

November 6, 2002

VILLAGE OF LISBON  
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

**FINDING NUMBER 2001-31215-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.14, states that except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority ("Village Council") passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers through a resolution).

Village Council did not properly pass 21 out of 28 transfers in 2001, and 10 out of 12 transfers in 2000.

We recommend that all transfers be properly approved by Village Council in the minutes for the correct amount as set forth in the above requirement prior to the transfers being made.

**FINDING NUMBER 2001-31215-002**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Total appropriations exceeded total estimated receipts plus prior year's unencumbered balances (Total available) in the following fund:

<b>Fund</b>	<b>Year</b>	<b>Total Available</b>	<b>Total Appropriations</b>	<b>Difference</b>
State Grants Phase II (2063)	2001	\$0	\$77,167	(\$77,167)

This situation may lead to disbursements within said fund exceeding the actual revenue available.

Also, the Village did not file its appropriations with the county budget commission. This led to the Village not receiving a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

We recommend that Management monitor their budgetary cycle throughout the year to ensure that appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received. We also recommend that the Village file its appropriations with the county budget commission to obtain the certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the official estimate or amended official estimate.

**FINDING NUMBER 2001-31215-003**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate;
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

The Village did not always certify funds when placing orders or making contracts in 2001 or 2000. This occurred in 20% of the expenditures tested for 2001, and in 53% of the expenditures tested for 2000. This lack of control over expenditures also undermines the Village's budget because purchases are made without knowledge of cash balances left in particular line items or funds.

The Village should utilize purchase orders to monitor appropriations on a consistent basis. In addition, we also recommend the Village clerk review and amend appropriations when it is determined that expenditures will exceed appropriations. The clerk should be informed of any and all purchases before they are made. This will ensure that purchase orders are completed prior to a purchase being made, as well as assuring that there are sufficient funds to cover the proposed purchase.

**FINDING NUMBER 2001-31215-004**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.36** provides in part that upon determination by the fiscal officer of a taxing district that the revenue to be collected by the district will be less than the amount included in the current official certificate, the fiscal officer shall certify the amount of the deficiency to the county budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency. The intent of this statutory requirement is to require a taxing district to certify receipt amounts based on realistic projection of receipts and to require the fiscal officer to obtain a "reduction" certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur.



**FINDING NUMBER 2001-31215-004  
 (Continued)**

The Village's estimated receipts were in excess of actual receipts in the following funds and by the stated amounts. Also, these reduced receipt amounts caused the actual amount of funds available to fall below the total appropriations for each fund.

<b>Fund</b>	<b>Year</b>	<b>Estimated Receipts</b>	<b>Actual Receipts</b>	<b>Amount in Excess</b>
General (1000)	2000	\$926,086	\$826,766	\$99,320
General (1000)	2001	\$971,129	\$715,618	\$255,511
OWDA-Sewer Debt (3103)	2001	\$25,000	-	\$25,000

We recommend the Village obtain a reduced amended certificate of estimated resources, and subsequently reduce appropriations, if needed, when it becomes apparent that actual receipts will become less than the amounts estimated.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
<b>1999-31215-001</b>	Ohio Revised Code Section 5705.10 - money paid into a fund must be used only for the purpose for which that fund was established.	No	Partially Corrected: We reported this finding in the management letter.
<b>1999-31215-002</b>	Ohio Revised Code Section 5705.41 (B) - expenditures exceeded appropriations in several funds.	No	Partially Corrected: We reported this finding in 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  
DECEMBER 10, 2002**