

***VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of North Lewisburg
60 East Maple Street
North Lewisburg, Ohio 43060

We have reviewed the *Report of Independent Accountants* of the Village of North Lewisburg, Champaign County, prepared by Charles E. Harris & Associates, Inc., 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 North Lewisburg 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

October 8, 2010

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**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY
For the Years Ending December 31, 2009 and 2008**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of North Lewisburg
Champaign County
60 East Maple Street
North Lewisburg, OH 43060

To Village Council:

We have audited the accompanying financial statements of the Village of North Lewisburg, Champaign 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 audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to 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 reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 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 and reserves for encumbrances of the Village, as of December 31, 2009 and 2008, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has 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 June 28, 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 and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 28, 2010

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 39,180	\$ 10,531	\$ 49,711
Municipal Income Tax	201,457	-	201,457
Intergovernmental	53,443	49,093	102,536
Charges for Services	30,866	800	31,666
Fines, Licenses and Permits	21,099	774	21,873
Earning on Investments	12,152	531	12,683
Miscellaneous	12,244	-	12,244
Total Receipts	370,441	61,729	432,170
Disbursements:			
Security of Persons & Property	145,678	-	145,678
Leisure Time Activities	11,535	-	11,535
Public Health Services	2,977	-	2,977
Basic Utility Services	8,836	-	8,836
Transportation	-	48,079	48,079
General Government	211,374	-	211,374
Capital Outlay	408	2,100	2,508
Total Disbursements	380,808	50,179	430,987
Total Receipts Over/(Under) Disbursements	(10,367)	11,550	1,183
Fund Cash Balance, January 1, 2009	410,397	117,559	527,956
Fund Cash Balance, December 31, 2009	\$ 400,030	\$ 129,109	\$ 529,139
Reserved for Encumbrances, December 31, 2009	\$ 102	\$ 433	\$ 535

See Accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2009**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 729,884	-	\$ 729,884
Miscellaneous	9,313	-	9,313
Total Operating Cash Receipts	<u>739,197</u>	<u>-</u>	<u>739,197</u>
Operating Cash Disbursements:			
Personal Services	79,605	-	79,605
Contractual Services	101,740	-	101,740
Material and Supplies	107,618	-	107,618
Capital Outlay	176,561	-	176,561
Other	47,456	-	47,456
Total Operating Cash Disbursements	<u>512,980</u>	<u>-</u>	<u>512,980</u>
Excess of Receipts Over/(Under) Disbursements	<u>226,217</u>	<u>-</u>	<u>226,217</u>
Non-Operating Receipts/Disbursements:			
Non-Operating Receipts	-	\$ 30,150	30,150
Non-Operating Disbursements		(30,150)	(30,150)
Intergovernmental	17,544	-	17,544
Debt Proceeds	170,070	-	170,070
Redemption of Principal	(309,514)	-	(309,514)
Interest and Other Fiscal Charges	(94,082)	-	(94,082)
Total Nonoperating Disbursements	<u>(215,982)</u>	<u>-</u>	<u>(215,982)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	<u>10,235</u>	<u>-</u>	<u>10,235</u>
Fund Cash Balance, January 1, 2009	<u>571,513</u>	<u>-</u>	<u>571,513</u>
Fund Cash Balance, December 31, 2009	<u>\$ 581,748</u>	<u>\$ -</u>	<u>\$ 581,748</u>
Reserved for Encumbrances, December 31, 2008	<u>\$ 66</u>	<u>\$ -</u>	<u>\$ 66</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 31,306	\$ 17,695	\$ 49,001
Municipal Income Tax	214,355	-	214,355
Charges for Services	31,098	-	31,098
Intergovernmental	34,754	53,822	88,576
Special Assesment	148	-	148
Fines, Licenses and Permits	23,763	2,048	25,811
Earnings on Investments	30,383	1,339	31,722
Miscellaneous	10,850	-	10,850
Total Receipts	376,657	74,904	451,561
Disbursements:			
Security of Persons & Property	93,469	-	93,469
Leisure Time Activities	30,777	-	30,777
Public Health Service	7,495	-	7,495
Transportation	-	66,738	66,738
General Government	201,945	-	201,945
Capital Outlay	8,499	-	8,499
Basic Utility Services	8,500	-	8,500
Total Disbursements	350,685	66,738	417,423
Total Receipts Over/(Under) Disbursements	25,972	8,166	34,138
Fund Cash Balance, January 1, 2008	384,425	109,393	493,818
Fund Cash Balance, December 31, 2008	\$ 410,397	\$ 117,559	\$ 527,956
Reserved for Encumbrances, December 31, 2008	\$ 568	\$ 367	\$ 935

See Accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2008**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Receipts:			
Charges for Services	\$ 507,094	-	\$ 507,094
Miscellaneous	37,261	-	37,261
Total Receipts	<u>544,355</u>	<u>-</u>	<u>544,355</u>
Disbursements:			
Personal Services	69,264	-	69,264
Contractual Services	55,000	-	55,000
Material and Supplies	48,972	-	48,972
Capital Outlay	25,565	-	25,565
Other	73,918	-	73,918
Total Disbursements	<u>272,719</u>	<u>-</u>	<u>272,719</u>
Excess of Receipts Over/(Under) Disbursements	<u>271,636</u>	<u>-</u>	<u>271,636</u>
Non-Operating Receipts/Disbursements:			
Non-Operating Receipts	-	\$ 28,354	28,354
Non-Operating Disbursements	-	(28,354)	(28,354)
Debt Proceeds	30,844	-	30,844
Redemption of Principal	(172,525)	-	(172,525)
Interest and Other Fiscal Charges	(54,193)	-	(54,193)
Total Non-Operating Receipts/Disbursements	<u>(195,874)</u>	<u>-</u>	<u>(195,874)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	<u>75,762</u>	<u>-</u>	<u>75,762</u>
Fund Cash Balance, January 1, 2008	<u>495,751</u>	<u>-</u>	<u>495,751</u>
Fund Cash Balance, December 31, 2008	<u>\$ 571,513</u>	<u>\$ -</u>	<u>\$ 571,513</u>
Reserved for Encumbrances, December 31, 2008	<u>\$ 549</u>	<u>\$ -</u>	<u>\$ 549</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of North Lewisburg, Champaign County, (the Village) is a body corporate and politic established for the purpose of exercising 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 (leisure time activities). The Village contracts with the Champaign 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.

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.)

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

C. CASH AND INVESTMENTS

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village uses fund accounting to segregate cash and investments that are restricted to use. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Village classifies its funds into the following types:

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures 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.
- **State Highway Fund:** This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village highways.
- **Permissive Motor Vehicle License Tax Fund:** This fund receives motor vehicle tax money for constructing, maintaining and repairing Village streets.
- **Impact Fee Fund:** This fund is used to account for all financial resources restricted to the construction of new residential properties within the Village.
- **Mayor Computer Fund:** This fund receives portion of Mayor's Court receipts for purchasing, maintaining and repairing of Mayor's Court computer equipment.

Enterprise Fund: 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 Fund:** This fund receives charges for services from residents to cover the cost of providing this utility.
- **Sewer Fund:** This fund receives charges for services from residents to cover the cost of providing this utility.
- **Utility Service Fund:** This fund receives deposits from residents to cover the cost of providing this utility.

Fiduciary Fund (Agency Fund): Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

- **Mayor's Court Fund:** This fund is utilized to account for court fines and the distribution of court fines to the appropriate jurisdiction.

E. BUDGETARY PROCESS

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

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

- **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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. Unencumbered appropriations lapse at year-end and are re-appropriated.

- **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources. Appropriation may not exceed estimated resources.

- **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 re-appropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 5.

F. Property, Plant, and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay 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.

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:

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$ 698,165	\$ 686,747
Certificates of Deposits	412,722	412,722
Total Deposits	<u>\$ 1,110,887</u>	<u>\$ 1,099,469</u>

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

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. Tangible personal property taxes are being phased out through 2009.

The Champaign County Treasurer collects property tax on behalf of all taxing Villages within the county. The Champaign County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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's third party administrator, Regional Income Tax Authority, either monthly or quarterly, as required. The Regional Income Tax Authority remits collected taxes to the Village monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

5. BUDGETARY ACTIVITY

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

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 335,746	\$ 370,441	\$ 34,695
Special Revenue	58,900	61,729	2,829
Enterprise	665,984	926,811	260,827

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 492,400	\$ 380,910	\$ 111,490
Special Revenue	140,700	50,612	90,088
Enterprise	1,082,211	916,642	165,569

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 310,390	\$ 376,657	\$ 66,267
Special Revenue	71,650	74,904	3,254
Enterprise	507,193	575,199	68,006

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 507,063	\$ 351,253	\$ 155,810
Special Revenue	165,200	67,105	98,095
Enterprise	875,069	499,986	375,083

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal December 31, 2007	Adjustments to prior year balance	Debt Proceeds	Capitalized Interest and Adjustments	Principal Repayment		Principal December 31, 2009	Interest Rate
					2008	2009		
General Obligation Sewer Bonds	\$ 40,000	\$ -	\$ -	\$ -	\$ (20,000)	\$ (20,000)	\$ -	5.20%
OWDA #2430	315,919	-	-	130	(56,869)	(59,865)	199,315	5.20%
OWDA #4527	2,357,510	-	200,914	(43,991)	-	(100,993)	2,413,440	2.65%
OPWC #CK331	165,000	-	-	-	(30,000)	(30,000)	105,000	0.00%
OPWC #CK905	186,735	-	-	-	(19,656)	(19,656)	147,423	0.00%
OPWC #CK21H	-	600,000	-	-	-	(30,000)	570,000	0.00%
Mortgage Refunding Revenue Bonds	827,000	-	-	-	(46,000)	(49,000)	732,000	5.25%
Total	\$ 3,892,164	\$ 600,000	\$ 200,914	\$ (43,861)	\$ (172,525)	\$ (309,514)	\$ 4,167,178	

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

6. DEBT – (Continued)

The Ohio Water Development Authority (OWDA) loans relate to the construction of the wastewater treatment facilities, a water supply well, and a water main. On October 24, 1991 the Village borrowed \$895,659 (loan # 2430) for the construction of the wastewater treatment facilities, which is to be repaid with semi-annual payments over 20 years. On May 25, 2006 the Village secured a loan # 4527 in the amount of \$2,693,378 for the wastewater treatment facilities expansion, which as of December 31, 2009, had a balance of \$2,413,440. The construction is still in progress. All of these debt issues are to be repaid with user fees.

The Ohio Public Works Commission (OPWC) loans relate to the wastewater treatment plant and water system improvements projects. On July 31, 1991 the Village borrowed \$600,000 (loan # CK331) for its wastewater treatment plant improvements project, which is to be repaid with semi-annual payments over 20 years. On July 1, 1995 the Village borrowed \$393,127 (loan # CK905) for its water system improvements project, which is to be repaid with semi-annual payments over 20 years. On May 12, 2006 the Village borrowed \$600,000 (loan # CK21H) for its water system improvements project, which is to be repaid with semi-annual payments over 20 years. All these issues are to be repaid with user fees.

On December 18, 1995 the Village issued \$1,450,000 of mortgage revenue bond for the purpose of paying the costs of certain waterworks system improvements. On October 20, 2003 the Village issued \$1,024,000 of mortgage revenue refunding bonds for the purpose of refunding the outstanding balance of the Village's mortgage revenue bonds dated December 18, 1995. The bonds are redeemed in semiannual payments of varying principal and interest amounts. The bonds mature December 1, 2020. The debt is to be repaid with user fees.

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

	Long-Term Debt
Year Ending December 31:	<hr/>
2010	\$ 241,652
2011	240,975
2012	242,193
2013	153,634
2014	138,536
2015-2019	645,833
2020-2024	239,463
2025-2028	120,000
	<hr/> \$ 2,022,286 <hr/>

OWDA has not prepared an amortization schedule for Loan # 4527.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

7. RETIREMENT SYSTEM

All Village 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. Those who do not belong to OPERS elected to enroll in Social Security. The Village's liability is 6.2 percent of wages paid.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, members of OPERS contributed 10.0 percent of their wages. The Village contributes an amount equal to 14.0 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 600 Ohio governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

8. RISK MANAGEMENT – (Continued)

In 2002, the Plan elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

The Pool's audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2008</u>	<u>2007</u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>5,286,781</u>	<u>4,273,553</u>
Member's Equity	<u>\$ 5,184,333</u>	<u>\$ 6,862,901</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan's website, www.ohioplan.org.

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of North Lewisburg
Champaign County
60 East Maple Street
North Lewisburg, OH 43060

To the Village Council:

We have audited the financial statements of the Village of North Lewisburg, Champaign County, Ohio (Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 28, 2010, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-VNLCC-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-VNLCC-001.

The Village's response to the finding 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.

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

Charles E. Harris & Associates, Inc.

June 28, 2010

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 & 2008**

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

FINDING NUMBER 2009-VNLCC-001

Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

Loan proceeds received by the Village during 2009 and related expenditures made on the Village's behalf by OWDA were not recorded on the Village's books. As a result, the financial activity of the Village was understated for 2009. The Village understated receipts, during 2009, by \$170,070 and also understated disbursements by \$170,070. Construction was ongoing at December 31, 2009. The accompanying financial statements have been adjusted to reflect correct amounts. The Village is in agreement with this adjustment.

We also noted that "on behalf" OWDA loan proceeds of \$600,000 were not recognized in the prior year audit report.

The Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend the Village record all transactions made on behalf of the Village in each fund and to track and record all debt. The Village should refer to Auditor of State Bulletin 2000-08 for additional guidance in accounting for these projects.

Management Response:

The Fiscal Officer will review current projects to determine the amount of payments made on the Village's behalf and include this amount as a receipt and disbursement as well as obtaining an amended certificate of estimated resources and approving additional appropriations.

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-VNLCC-001	The Village did not follow Ohio Rev. Code §5705.41(B) ; the Village had expenditures plus encumbrances greater than appropriations at the legal level of control.	Yes	
2007-VNLCC-002	Village did not record several accounting transactions made on their behalf by OWDA.	No	Re-issued as finding number 2009-VNLCC-001.
2007-VNLCC-003	The Village did not follow Ohio Rev. Code §5705.36 ; the Village had actual revenues less than budgeted revenues.	No	Re-issued as a management letter citation.

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Mary Taylor, CPA
Auditor of State

VILLAGE OF NORTH LEWISBURG

CHAMPAIGN 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 4, 2010**