

***VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004

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



Mary Taylor, CPA

Auditor of State

Village Council
Village of Lisbon
24 Nelson Ave.
Lisbon, OH 44432

We have reviewed the *Report of Independent Accountants* of the Village of Lisbon, Columbiana County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 to December 31, 2004. 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 Lisbon 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

March 30, 2007

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**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2004**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Lisbon, Columbiana County, Ohio (the Village), as of and for the year ended December 31, 2004. 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 year ended December 31, 2004, 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, 2004, or its changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lisbon, Columbiana County, as of December 31, 2004, and its combined cash receipts and disbursements and changes in fund cash balances for the year 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 year ended December 31, 2004. 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 August 30, 2006, 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 audit.

Charles E. Harris & Associates, Inc.

August 30, 2006

VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
Receipts:						
Property and Local Taxes	\$ 962,798	\$ 63,190	\$ -	\$ -	\$ -	\$ 1,025,988
Intergovernmental	205,754	182,401	-	-	-	388,155
Special Assessments	-	-	11,681	-	-	11,681
Charges For Services	26,241	43,957	-	-	-	70,198
Fines, Licenses and Permits	23,704	-	-	-	-	23,704
Earnings on Investments	-	95	-	6,749	78	6,922
Miscellaneous	4,197	-	-	96,889	4,362	105,448
Total Receipts	1,222,694	289,643	11,681	103,638	4,440	1,632,096
Disbursements:						
Current:						
Security of Persons & Property	667,639	13,090	-	-	-	680,729
Public Health Services	-	128,654	-	-	-	128,654
Leisure Time Activities	16,478	-	-	-	-	16,478
Community Environment	39,410	-	-	-	-	39,410
Transportation	1,310	435,348	-	-	-	436,658
General Government	328,629	3,567	-	21,670	-	353,866
Capital Outlay	-	-	-	162,055	-	162,055
Debt Service:						
Principal Payment	-	11,683	31,691	-	-	43,374
Interest and Fiscal Charges	-	676	-	-	-	676
Total Disbursements	1,053,466	593,018	31,691	183,725	-	1,861,900
Total Receipts Over/(Under)						
Disbursements	169,228	(303,375)	(20,010)	(80,087)	4,440	(229,804)
Other Financing Sources/(Uses)						
Transfers-In	-	280,000	-	123,217	-	403,217
Other Financing Sources	94,289	53,744	6,297	-	-	154,330
Transfers-Out	(428,817)	-	-	-	-	(428,817)
Advances-Out	(30,000)	-	-	-	-	(30,000)
Other Financing Uses	(6,969)	-	-	-	-	(6,969)
Total Other Financing Sources/(Uses)	(371,497)	333,744	6,297	123,217	-	91,761
Excess of Cash Receipts and Other Financing						
Sources Over/(Under) Cash Disbursements						
and Other Financing Uses	(202,269)	30,369	(13,713)	43,130	4,440	(138,043)
Fund Cash Balances, January 1, 2004,						
as restated see Note 11	632,795	210,676	61,688	519,757	11,501	1,436,417
Fund Cash Balances, December 31, 2004	\$ 430,526	\$ 241,045	\$ 47,975	\$ 562,887	\$ 15,941	\$ 1,298,374

See Accompanying Notes to the Financial Statements.

VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Receipts:			
Charges for Services	\$ 1,018,262	\$ 8,909	\$ 1,027,171
Earnings on Investments	-	6,103	6,103
Special Assessments	151,541	-	151,541
Total Receipts	1,169,803	15,012	1,184,815
Disbursements:			
Personal Services	178,079	-	178,079
Employee Fringe Benefits	75,392	-	75,392
Contractual Services	595,086	-	595,086
Materials and Supplies	204,153	-	204,153
Total Disbursements	1,052,710	-	1,052,710
Excess of Receipts Over (Under) Disbursements	117,093	15,012	132,105
Nonoperating Receipts (Disbursements):			
Other Nonoperating Receipts	58,108	-	58,108
Debt Service:			
Principal Payments	(94,952)	-	(94,952)
Interest and Fiscal Charges	(30,623)	-	(30,623)
Total Nonoperating Receipts (Disbursements)	(67,467)	-	(67,467)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers/Advances	49,626	15,012	64,638
Transfers-In	25,600	-	25,600
Advances-In	30,000	-	30,000
Net Receipts Over/(Under) Disbursements	105,226	15,012	120,238
Fund Cash Balances, January 1, 2004, as restated see Note 11	490,355	291,722	782,077
Fund Cash Balances, December 31, 2004	\$ 595,581	\$ 306,734	\$ 902,315

See Accompanying Notes to the Financial Statements.

VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004

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 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 general governmental services, including water and sewer utilities; park operations (leisure time activities); cemetery services and fire and police services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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

Investments are recorded 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 are valued at cost.

VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of “Fund” accounting. 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 restrictions associated with each class of funds are as follows:

Governmental Fund Types:

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

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 has 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.

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

Debt Service Funds: These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village has the following significant Debt Service funds:

General Obligation Bond Retirement - This fund receives money from the General Fund to retire debt the Village took out to pay for improvements to the downtown area.

Downtown Phase I Assessment – This fund received money from the businesses located in the Village for improvements to the downtown area.

Capital Projects: 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:

VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

Capital Improvements 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 Northwest Sewer Separation project.

Proprietary Fund Types:

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.

Northwest Sewer Separation Project Fund – This fund received federal CDBG grant monies passed through the state. The proceeds of the grant were used to upgrade the sewer system in the Northwest area of the Village.

Fiduciary Fund Type: 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. The Village had the following significant fiduciary funds:

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

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

VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

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 Village Council must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 re-appropriated.

A summary of 2004 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.

**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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:

	2004
Demand Deposit	\$ 1,795,721
Certificates of Deposit	404,968
Total	\$ 2,200,689

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

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 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.

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 ½ 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, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004

5. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,000,247	\$ 1,316,983	\$ (683,264)
Special Revenue	454,126	623,387	169,261
Debt Service	115,000	17,978	(97,022)
Capital Projects	260,000	226,855	(33,145)
Enterprise	1,229,000	1,283,511	54,511
Fiduciary	25,000	19,452	(5,548)
Total	\$ 4,083,373	\$ 3,488,166	\$ (595,207)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,173,912	\$ 1,519,252	\$ 654,660
Special Revenue	692,418	593,018	99,400
Debt Service	50,000	31,691	18,309
Capital Projects	422,000	183,725	238,275
Enterprise	1,692,726	1,178,285	514,441
Fiduciary	15,000	-	15,000
Total	\$ 5,046,056	\$ 3,505,971	\$ 1,540,085

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, 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 prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5%. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2004.

**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public officials' liability
- Vehicles
- Errors and omissions
- Commercial inland marine
- Employer's liability
- Employee benefits liability
- Crime

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

8. DEBT

Debt outstanding at December 31, 2004 is as follows:

Description	Principal	Interest Rate
OPWC Issue II Loan	\$ 507,060	0.00%
Waterworks System Improvement Bonds	50,000	6.88%
OPWC Loan	2,425	0.00%
OWDA Water Extension	98,732	10.98%
OWDA Loan	243,061	4.18%
Water System Improvement Bonds	226,611	5.50%
Ford Credit 2004 F-150	7,510	19.49%
	<u>\$ 1,135,399</u>	

The prior year balance for the debt issues were over-stated by \$7,405, due to reporting errors in principal verses interest.

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 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 loan is collateralized by water and sewer receipts.

VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004

8. DEBT (continued)

The OPWC loan was issued in 1993 in the amount of \$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 loan is collateralized by water and sewer receipts.

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 principal, plus accumulated interest 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 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 OWDA Loan 125 DW (Water Extension) 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.

The Ford Motor Credit Co. Loan relates to the purchase of a 2004 Ford F-150 for general government use. The loan will be repaid in monthly installments of \$226, including interest, at a rate of 19.49% over four years.

**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

8. DEBT (continued)

Principal and interest requirements for debt outstanding at December 31, 2004 is as follows:

Year Ended:	OPWC Issue II Loan	Waterworks System Improvement Bonds	OPWC Loan	OWDA Water Extension
2005	\$ 31,691	\$ 13,437	\$ 2,425	\$ 34,169
2006	31,691	12,750	-	31,458
2007	31,691	12,072	-	28,749
2008	31,691	11,365	-	13,697
2009	31,691	10,688	-	-
2010-2014	158,455	-	-	-
2015-2019	158,455	-	-	-
2020-2024	31,695	-	-	-
Total	<u>\$ 507,060</u>	<u>\$ 60,312</u>	<u>\$ 2,425</u>	<u>\$ 108,073</u>

Year Ended:	OWDA Loan	Water System Improvement Bonds	Ford Credit 2004 Ford F150	Total Payment Requirements
2005	\$ 28,836	\$ 53,067	\$ 2,718	\$ 166,343
2006	28,836	53,067	2,718	160,520
2007	28,836	53,067	2,718	157,133
2008	28,836	53,067	2,265	140,921
2009	28,836	44,912	-	116,127
2010-2014	144,180	-	-	302,635
2015-2019	-	-	-	158,455
2020-2024	-	-	-	31,695
Total	<u>\$ 288,360</u>	<u>\$ 257,180</u>	<u>\$ 10,419</u>	<u>\$ 1,233,829</u>

9. TRANSFERS/ADVANCES

The Village transferred monies from its Income Tax fund, which is classified as General fund for reporting purposes, to other funds, in accordance with Village ordinances and the Ohio Revised Code.

The Village advanced monies from its General fund to the Sewer Operating fund, in accordance with Village ordinances and the Ohio Revised Code.

**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

11. RESTATEMENT OF BEGINNING FUND BALANCES

A restatement of beginning fund balances is needed due to previous audit adjustments made to the General Fund incorrectly, since the intended funds were closed. Therefore, the adjustments could not be made in the original funds. Other restatements were noted, as well:

	Fund Types		
	General	Special Revenue	Debt Service
Fund Cash Balance December 31, 2003	\$ 1,095,057	\$ 300,350	\$ (264,996)
Restatement	(462,262)	(89,674)	326,684
Fund Cash Balance January 1, 2004	<u>\$ 632,795</u>	<u>\$ 210,676</u>	<u>\$ 61,688</u>

	Fund Types		
	Capital Projects	Enterprise	Total
Fund Cash Balance December 31, 2003	\$ 431,384	\$ 354,587	\$ 1,916,382
Restatement	88,373	135,768	(1,111)
Fund Cash Balance January 1, 2004	<u>\$ 519,757</u>	<u>\$ 490,355</u>	<u>\$ 1,915,271</u>

12. LEGAL COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, we performed tests of compliance with provisions of local, state, and /or federal laws, as applicable. The auditor's report on the Village's compliance with the Ohio Revised Code and internal control structure comments are included in this report under a separate part of this presentation.

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Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the Village of Lisbon, Columbiana County, Ohio (the Village), as of and for the year ended December 31, 2004, and have issued our report thereon dated August 30, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

We also noted other matters involving internal controls over financial reporting that we have reported to management in a separate letter dated August 30, 2006.

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, grant agreements and other matters, noncompliance with which could have a direct and material affect 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 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 2004-001 through 2004-003.

We also noted other immaterial matters of noncompliance that we have reported to management of the Village in a separate letter dated August 30, 2006.

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

Charles E. Harris and Associates, Inc.

August 30, 2006

**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Schedule of Findings
For the Year Ending December 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2004-001

Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.14 indicates that before an interfund transfer can be made from the General Fund, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the government board. Ohio Attorney General Opinion No. 89-075 (Ohio Revised Code Section 5705.14(E)) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds.

The Village processed 53% of the transfers throughout the year without specific resolutions being passed by Council authorizing such transactions.

Individual transfers should be approved by resolution of Council to ensure compliance with this Ohio Revised Code section.

Management is reviewing the transfer approval process to ensure future compliance.

Finding Number 2004-002

Noncompliance Citation and Material Weakness

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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificate which are provided for in sections 5705.41 (D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. 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.

**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Schedule of Findings – (Continued)
For the Year Ending December 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2004-002 - Continued

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate**-Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2004, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. **Super Blanket Certificate**- The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always certify funds when placing orders or making contracts in 2004. This occurred in 26% of the expenditures tested for 2004. 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.

Management is currently correcting this issue by developing a process to control the purchase order process.

**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
Schedule of Findings – (Continued)
For the Year Ending December 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2004-003

Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, 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 resources in the following funds:

Fund	Total Appropriations	Total Estimated Resources	Variance
Street Construction	\$ 483,558	\$ 307,845	\$ (175,713)
Dare Grants	13,000	7,090	(5,910)
General Obligation Bond	50,000	34,449	(15,551)
Water Operating	584,858	419,433	(165,425)
Sewer Operating	677,753	667,862	(9,891)
Sewer Extension & Replacement	58,000	26,090	(31,910)

We recommend that Village Council and the Clerk/Treasurer 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 so as to obtain the 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.

Management is aware of budgetary problems, many of which are caused by prior year adjustments. They will monitor the budgetary process more closely.

**VILLAGE OF LISBON
COLUMBIANA COUNTY, OHIO
For the Year Ending December 31, 2004**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Improper interfund transfers without Council authorization.	No	Not corrected. Reissued as finding 2004-001.
2003-002	Lack of certifying funds when placing orders. Purchase orders dated after invoices.	No	Not corrected. Reissued as finding 2004-002.
2003-003	Total appropriations exceeding total estimated resources.	No	Not corrected. Reissued as finding 2004-003.
2003-004	Finding for recovery – payroll overpayment.	Yes	Corrective action taken, amounts repaid as of February 7, 2005.



Mary Taylor, CPA
Auditor of State

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
APRIL 12, 2007