



**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF LINDSEY
SANDUSKY COUNTY

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Mary Taylor, CPA Auditor of State

Village of Lindsey
Sandusky County
240 S. Main Street, P.O. Box 364
Lindsey, Ohio 43442-0364

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 25, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lindsey
Sandusky County
240 S. Main Street, P.O. Box 364
Lindsey, Ohio 43442-0364

To the Village Council:

We have audited the accompanying financial statements of the Village of Lindsey, Sandusky County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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.

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

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, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lindsey, Sandusky County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 April 25, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

April 25, 2008

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$43,068			\$43,068
Intergovernmental	45,270	\$28,714		73,984
Charges for Services		75,000		75,000
Fines, Licenses and Permits	225			225
Earnings on Investments	6,970	9,685		16,655
Miscellaneous	1,485			1,485
Total Cash Receipts	<u>97,018</u>	<u>113,399</u>		<u>210,417</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	17,049	30,107		47,156
Public Health Services	267			267
Leisure Time Activities	3,372			3,372
Community Environment	6,145			6,145
Basic Utility Service	19,129			19,129
Transportation		7,064		7,064
General Government	49,367			49,367
Capital Outlay			\$32,721	32,721
Total Cash Disbursements	<u>95,329</u>	<u>37,171</u>	<u>32,721</u>	<u>165,221</u>
Total Receipts Over/(Under) Disbursements	<u>1,689</u>	<u>76,228</u>	<u>(32,721)</u>	<u>45,196</u>
Other Financing Receipts:				
Loan Proceeds			\$32,721	32,721
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	1,689	76,228		77,917
Fund Cash Balances, January 1	<u>73,205</u>	<u>211,713</u>		<u>284,918</u>
Fund Cash Balances, December 31	<u>\$74,894</u>	<u>\$287,941</u>		<u>\$362,835</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$139,640
Operating Cash Disbursements:	
Personal Services	12,704
Supplies and Materials	74,001
Total Operating Cash Disbursements	86,705
Operating Income	52,935
Non-Operating Cash Receipts:	
Loan Proceeds	8,659
Miscellaneous Receipts	2,430
Total Non-Operating Cash Receipts	11,089
Non-Operating Cash Disbursements:	
Redemption of Principal	41,320
Interest and Other Fiscal Charges	18,350
Total Non-Operating Cash Disbursements	59,670
Net Receipts Over Disbursements	4,354
Fund Cash Balances, January 1	69,382
Fund Cash Balances, December 31	\$73,736

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$40,735			\$40,735
Intergovernmental	47,632	\$40,242	\$50,000	137,874
Charges for Services		75,000		75,000
Fines, Licenses and Permits	215			215
Earnings on Investments	7,197	10,448		17,645
Miscellaneous	1,254			1,254
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	97,033	125,690	50,000	272,723
Cash Disbursements:				
Current:				
Security of Persons and Property	13,995	50,094		64,089
Public Health Services	259			259
Leisure Time Activities	12,860			12,860
Community Environment	4,465			4,465
Basic Utility Service	6,982			6,982
Transportation		109,300		109,300
General Government	60,443			60,443
Capital Outlay			92,244	92,244
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	99,004	159,394	92,244	350,642
Total Receipts Under Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(1,971)	(33,704)	(42,244)	(77,919)
Other Financing Receipts / (Disbursements):				
Loan Proceeds			42,244	42,244
Other Financing Uses	(50)			(50)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(50)		\$42,244	42,194
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(2,021)	(33,704)		(35,725)
Fund Cash Balances, January 1	75,226	245,417		320,643
Fund Cash Balances, December 31	<u><u>\$73,205</u></u>	<u><u>\$211,713</u></u>		<u><u>\$284,918</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$129,352
Operating Cash Disbursements:	
Personal Services	9,158
Contractual Services	127,356
Supplies and Materials	75,845
Total Operating Cash Disbursements	212,359
Operating Loss	(83,007)
Non-Operating Cash Receipts:	
Loan Proceeds	136,156
Miscellaneous Receipts	5,309
Total Non-Operating Cash Receipts	141,465
Non-Operating Cash Disbursements:	
Capital Outlay	
Redemption of Principal	34,061
Interest and Other Fiscal Charges	19,686
Total Non-Operating Cash Disbursements	53,747
Net Receipts Over Disbursements	4,711
Fund Cash Balances, January 1	64,671
Fund Cash Balances, December 31	\$69,382

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lindsey, Sandusky County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services and fire protection. The Village contracts with the Sandusky County Sheriff's department to provide security of persons and property. The Village appropriates special revenue 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than 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 LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fire Fund – This fund receives revenue from Rice and Washington Townships for providing fire protection services.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project fund:

Ohio Public Works Commission Fund – This fund receives loan and grant proceeds from the Ohio Public Works Commission to construct the Village water treatment plant.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$432,472	\$350,479
Certificates of deposit	4,099	3,821
Total deposits	\$436,571	\$354,300

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,233	\$97,018	\$6,785
Special Revenue	110,700	113,399	2,699
Capital Projects		32,721	32,721
Enterprise	123,500	150,729	27,229
Total	\$324,433	\$393,867	\$69,434

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,439	\$95,329	\$68,110
Special Revenue	322,414	37,171	285,243
Capital Projects		32,721	(32,721)
Enterprise	192,883	146,375	46,508
Total	\$678,736	\$311,596	\$367,140

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,415	\$97,033	\$5,618
Special Revenue	113,300	125,690	12,390
Capital Projects		92,244	92,244
Enterprise	256,000	270,817	14,817
Total	\$460,715	\$585,784	\$125,069

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$164,515	\$99,054	\$65,461
Special Revenue	356,901	159,394	197,507
Capital Projects		92,244	(92,244)
Enterprise	320,671	266,106	54,565
Total	\$842,087	\$616,798	\$225,289

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the OPWC fund by \$92,244 for the year ended December 31, 2006, and by \$32,721 for the year ended December 31, 2007. In addition, the Village failed to record the OPWC activity on its accounting system in 2006 and 2007.

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1684	\$71,036	8.97%
Ohio Water Development Authority Loan #4402	201,600	2.75%
Ohio Public Works Commission Loan # CE03F	77,527	0.00%
Old Fort Bank Loan	73,416	Variable
US Bank Loan	11,536	5.06
Total	<u>\$435,115</u>	

Ohio Water Development Authority (OWDA) loan #1684 relates to a new sewage treatment plant and rehabilitation work on sanitary collection sewers. The OWDA loaned the Village \$242,265 for this project. The Village will repay the loan in semiannual installments, including interest over 25 years with a maturity date of July 1, 2011. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) loan #4402 relates to a water supply and treatment plant improvement project. The OWDA approved a loan up to \$228,829 to the Village for this project. This loan is still in the "open" status, so no amortization schedule is available at this time, and it is not included in the following schedule. The Village will repay the loan in semiannual installments, including interest over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Ohio Public Works Commission (OPWC) Loan #CE03F relates to a water supply and treatment plant improvement project. The OPWC loaned the Village \$81,608 for this project. The Village will repay the loan in semiannual installments over 20 years with a maturity date of July 1, 2027. Water receipts collateralize the loan.

The Old Fort Bank Loan represents a \$120,800 loan entered into on October 7, 2002 for the purchase of land for the Village well field. The interest rate is variable (currently 8.0%) set at thirty percent below the Wall Street Journal Prime Rate and is adjusted annually. The Village was originally scheduled to repay the loan in monthly installments, including interest over 5 years with a balloon payment for the balance due on September 30, 2007. The Village and bank have mutually agreed to extend the maturity date and balloon payment to March 30, 2008. Future tax revenues collateralize the loan.

The US Bank Loan represents a \$25,000 loan entered into on April 13, 2006 to complete projects at the wastewater treatment plant. The Village will repay the loan in monthly installments, including interest over 3 years with a maturity date of April 13, 2009. This loan is collateralized by the Village's deposits held at US Bank.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. DEBT – (CONTINUED)

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

Year ending December 31:	OWD Loan 1684	OPWC CE03F	Old Fort Bank	US Bank
2008	\$24,604	\$2,040	\$73,416	\$9,010
2009	24,604	4,080		3,003
2010	24,604	4,080		
2011	24,604	4,080		
2012		4,080		
2013 - 2017		20,400		
2018 - 2022		20,400		
2023 - 2027		18,367		
Total	<u>\$98,416</u>	<u>\$77,527</u>	<u>\$73,416</u>	<u>\$12,013</u>

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

7. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

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 coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK POOL MEMBERSHIP – (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

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

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. SUBSEQUENT EVENTS

On November 19, 2007, the Village accepted a bid to sell 31.5392 acres of land from their old well fields for \$89,000. The closing on this sale was held in February of 2008. Proceeds from this sale were used to pay off the Old Fort Bank Loan described in Note 5.

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Mary Taylor, CPA

Auditor of State

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

Village of Lindsey
Sandusky County
240 S. Main Street, P.O. Box 364
Lindsey, Ohio 43442-0364

To the Village Council:

We have audited the financial statements of the Village of Lindsey, Sandusky County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 25, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider item number 2007-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated April 25, 2008.

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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 25, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Village of Lindsey
Sandusky County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 3

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

April 25, 2008

VILLAGE OF LINDSEY
SANDUSKY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments. For fiscal year 2006, OPWC grant revenues (\$50,000) and loan proceeds (\$42,244) as well as the related capital outlay expenditures (\$92,244) were not recorded in a capital projects fund. Debt service principal payments were misclassified as either supplies and materials or interest and fiscal charges (\$20,631) in the sewer fund and debt service principal payments were misclassified as either contractual services or interest and fiscal charges (\$13,430) in the water fund. For fiscal year 2007, OPWC loan proceeds (\$32,721) and the related capital outlay expenditure were not recorded in a Capital Projects fund; debt service principal payments were misclassified as either supplies and materials or interest and fiscal charges (\$9,009) for the Sewer fund and debt service principal payments were misclassified as either contractual services or interest and fiscal charges (\$8,844) in the water fund.

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by Council to identify and correct errors and omissions.

This weakness resulted in additional audit time to investigate the differences and prepare the audit adjustments.

Officials Response

The Village has reviewed the finding and will take responsibilities to rectify the matters. The interest/principal issue will be handled immediately and corrected.

FINDING NUMBER 2007-002

Noncompliance Citation

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a governmental entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. R.C. 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. R.C. 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. R.C. 5705.38. Additionally, R.C. 5705.41(B) states that no political subdivision is to expend money unless it has been appropriated.

**FINDING NUMBER 2007-002
(continued)**

In 2006 and 2007, the Village was the beneficiary of \$92,244 and \$32,721 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Village. Since OPWC paid the invoices, the Village did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Capital Projects fund by \$92,244 in 2006 and \$32,721 in 2007, contrary to R.C. 5705.41(B).

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records and appropriate funds for the expenditures. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

Officials Response

The Village has reviewed the finding and will take great care in complying with the procedures to assure that appropriations are adequately represented.



Mary Taylor, CPA
Auditor of State

VILLAGE OF LINDSEY

SANDUSKY 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
MAY 13, 2008**