

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2005 and 2004**



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Lewisburg
112 S. Commerce Street
Lewisburg, Ohio 45338

We have reviewed the *Independent Auditors' Report* of the Village of Lewisburg, Preble County, prepared by Bastin & Company, LLC, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lewisburg is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA
Auditor of State

May 21, 2007

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**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Lewisburg
211 South High Street
Lewisburg, OH 45154

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governmental units 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, 2005 and 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, 2005 and 2004, or their changes in financial position 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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, 2005 and 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 November 27, 2006, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
November 27, 2006

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Taxes	\$ 171,717	\$ 97,476	\$ -	\$ -	\$ -	\$ 269,193
Municipal Income Tax	645,031	-	-	-	-	645,031
Intergovernmental Revenues	120,205	169,489	-	-	-	289,694
Charges for Services	245,863	-	-	-	32,000	277,863
Fines, Licenses and Permits	2,358	25	-	-	-	2,383
Earnings on Investments	15,394	-	-	-	-	15,394
Miscellaneous	61,500	644	-	-	-	62,144
Total Cash Receipts	<u>1,262,068</u>	<u>267,634</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>1,561,702</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	693,513	47,136	-	-	-	740,649
Public Health Services	5,474	-	-	-	-	5,474
Leisure Time Activities	-	49,427	-	-	-	49,427
Community Environment	9,010	-	-	-	-	9,010
Transportation	-	134,883	-	-	-	134,883
General Government	273,638	3,213	-	-	-	276,851
Capital Outlay	93,126	68,455	4,241	105,288	-	271,110
Debt Service:						
Principal	5,928	2,475	-	9,456	-	17,859
Total Cash Disbursements	<u>1,080,689</u>	<u>305,589</u>	<u>4,241</u>	<u>114,744</u>	<u>-</u>	<u>1,505,263</u>
Total Receipts Over (Under) Disbursements	<u>181,379</u>	<u>(37,955)</u>	<u>(4,241)</u>	<u>(114,744)</u>	<u>32,000</u>	<u>56,439</u>
Other Financing Receipts and (Disbursements):						
Proceeds from loan	58,500	-	-	-	-	58,500
Transfers-In	-	50,000	-	130,185	-	180,185
Transfers-Out	(197,185)	-	-	-	-	(197,185)
Other Financing Sources	23,193	7,870	-	4,471	-	35,534
Total Other Financing Receipts and Disbursements	<u>(115,492)</u>	<u>57,870</u>	<u>-</u>	<u>134,656</u>	<u>-</u>	<u>77,034</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>65,887</u>	<u>19,915</u>	<u>(4,241)</u>	<u>19,912</u>	<u>32,000</u>	<u>133,473</u>
Fund Cash Balances, January 1, 2005	<u>332,998</u>	<u>191,988</u>	<u>33,352</u>	<u>128,039</u>	<u>108,028</u>	<u>794,405</u>
Fund Cash Balances, December 31, 2005	<u>\$ 398,885</u>	<u>\$ 211,903</u>	<u>\$ 29,111</u>	<u>\$ 147,951</u>	<u>\$ 140,028</u>	<u>\$ 927,878</u>
Reserve for Encumbrances, December 31, 2005	<u>\$ 11,547</u>	<u>\$ 466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,013</u>

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 722,557
Total Operating Cash Receipts	<u>722,557</u>
Operating Cash Disbursements:	
Personal Services	320,508
Contractual Services	88,121
Supplies and Materials	110,424
Capital Outlay	<u>246,018</u>
Total Operating Cash Disbursements	<u>765,071</u>
Operating Loss	<u>(42,514)</u>
Non-Operating Cash Receipts:	
Proceeds from OPWC debt	109,669
Other Non-Operating Receipts	<u>22,836</u>
Total Non-Operating Cash Receipts	<u>132,505</u>
Non-Operating Cash Disbursements:	
Principal payments on debt	(83,378)
Payments made to trustee for debt service	(41,164)
Interest Payments	<u>(898)</u>
Total Non-Operating Cash Disbursements	<u>(125,440)</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	(35,449)
Transfers-In	<u>17,000</u>
Net Receipts Over (Under) Disbursements	(18,449)
Fund Cash Balances, January 1, 2005	<u>396,296</u>
Fund Cash Balances, December 31, 2005	<u>\$ 377,847</u>
Reserve for Encumbrances, December 31, 2005	<u>\$ 2,335</u>

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Taxes	\$ 133,174	\$ 74,487	\$ -	\$ -	\$ -	\$ 207,661
Municipal Income Tax	623,223	-	-	-	-	623,223
Intergovernmental Revenues	103,363	183,444	-	-	-	286,807
Charges for Services	229,657	-	-	-	32,000	261,657
Fines, Licenses and Permits	2,855	75	-	-	-	2,930
Earnings on Investments	13,708	-	-	-	-	13,708
Miscellaneous	-	664	-	-	-	664
	<u>-</u>	<u>664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>664</u>
Total Cash Receipts	<u>1,105,980</u>	<u>258,670</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>1,396,650</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	616,944	43,607	-	-	-	660,551
Public Health Services	5,474	-	-	-	-	5,474
Leisure Time Activities	-	43,464	-	-	-	43,464
Community Environment	9,626	-	-	-	-	9,626
Transportation	2,664	114,269	-	-	-	116,933
General Government	275,082	4,108	-	-	-	279,190
Capital Outlay	139,062	98,029	2,320	158,526	-	397,937
Debt Service:						
Principal	5,928	2,475	-	9,456	-	17,859
	<u>5,928</u>	<u>2,475</u>	<u>-</u>	<u>9,456</u>	<u>-</u>	<u>17,859</u>
Total Cash Disbursements	<u>1,054,780</u>	<u>305,952</u>	<u>2,320</u>	<u>167,982</u>	<u>-</u>	<u>1,531,034</u>
Total Receipts Over (Under) Disbursements	<u>51,200</u>	<u>(47,282)</u>	<u>(2,320)</u>	<u>(167,982)</u>	<u>32,000</u>	<u>(134,384)</u>
Other Financing Receipts and (Disbursements):						
Transfers-In	-	60,516	-	155,103	-	215,619
Transfers-Out	(215,619)	-	-	-	-	(215,619)
Other Financing Sources	36,312	2,768	-	573	-	39,653
Other Financing Uses	(5,560)	-	-	-	-	(5,560)
	<u>(184,867)</u>	<u>63,284</u>	<u>-</u>	<u>155,676</u>	<u>-</u>	<u>34,093</u>
Total Other Financing Receipts and Disbursements	<u>(184,867)</u>	<u>63,284</u>	<u>-</u>	<u>155,676</u>	<u>-</u>	<u>34,093</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(133,667)</u>	<u>16,002</u>	<u>(2,320)</u>	<u>(12,306)</u>	<u>32,000</u>	<u>(100,291)</u>
Fund Cash Balances, January 1, 2004	<u>466,665</u>	<u>175,986</u>	<u>35,672</u>	<u>140,345</u>	<u>76,028</u>	<u>894,696</u>
Fund Cash Balances, December 31, 2004	<u>\$ 332,998</u>	<u>\$ 191,988</u>	<u>\$ 33,352</u>	<u>\$ 128,039</u>	<u>\$ 108,028</u>	<u>\$ 794,405</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 19,003</u>	<u>\$ 15,788</u>	<u>\$ -</u>	<u>\$ 636</u>	<u>\$ -</u>	<u>\$ 35,427</u>

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 668,425
Total Operating Cash Receipts	<u>668,425</u>
Operating Cash Disbursements:	
Personal Services	281,024
Contractual Services	92,927
Supplies and Materials	103,249
Capital Outlay	<u>241,024</u>
Total Operating Cash Disbursements	<u>718,224</u>
Operating Loss	<u>(49,799)</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>192,976</u>
Total Non-Operating Cash Receipts	<u>192,976</u>
Non-Operating Cash Disbursements:	
Principal payments on debt	(43,379)
Payments made to trustee for debt service	<u>(28,000)</u>
Total Non-Operating Cash Disbursements	<u>(71,379)</u>
Net Receipts Over Disbursements	71,798
Fund Cash Balances, January 1, 2004	<u>324,498</u>
Fund Cash Balances, December 31, 2004	<u>\$ 396,296</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 17,455</u>

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lewisburg, Preble County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides water and sewer utilities, park operations, fire services and police services. The Brown Memorial Library is a related organization (See Note 12).

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue 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 LEWISBURG
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004
(continued)

Recreation Fund - This fund receives intergovernmental receipts and fund transfers for providing leisure time activities to Village residents.

Fire/Ambulance Fund - This fund receives primarily property tax receipts for providing fire and ambulance services to Village residents.

3. Debt Service Funds

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

Brown Library Fund - This fund was used to account for debt proceeds related to the Brown Memorial Library. Funds are used to pay for capital items for the Library.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Improvement Project Fund - This fund receives local income tax receipts for various capital improvement projects within the Village.

5. Enterprise Funds

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

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

6. Fiduciary Funds (Expendable Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Village had no nonexpendable trust funds. Other trust funds are classified as expendable. The Village had the following significant fiduciary funds:

New Ambulance Reserve Fund - This expendable trust fund receives contract payments from local townships to which the Village provides ambulance services. These funds are reserved for the purchase of a new ambulance.

**VILLAGE OF LEWISBURG
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004
(continued)**

Fire Truck Reserve and Trust Fund – This expendable trust fund receives contract payments from local townships to which the Village provides fire protection services. These funds are reserved for the purchase of a new fire truck.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**VILLAGE OF LEWISBURG
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004
(continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$ 945,725	\$ 890,701
Certificates of Deposit	360,000	300,000
Total deposits	\$1,305,725	\$1,190,701

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,051,580	\$ 1,343,761	\$ 292,181
Special Revenue	282,286	325,504	43,218
Capital Projects	98,360	134,656	36,296
Enterprise	730,331	872,062	141,731
Fiduciary	32,000	32,000	-
Total	\$ 2,194,557	\$ 2,707,983	\$ 513,426

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,390,970	\$ 1,289,421	\$ 101,549
Special Revenue	465,289	306,055	159,234
Debt Service	35,944	4,241	31,703
Capital Projects	226,398	114,744	111,654
Enterprise	1,126,627	892,846	233,781
Fiduciary	140,029	-	140,029
Total	\$ 3,385,257	\$ 2,607,307	\$ 777,950

**VILLAGE OF LEWISBURG
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004
(continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 943,292	\$ 1,142,292	\$ 199,000
Special Revenue	309,273	321,954	12,681
Capital Projects	246,368	155,676	(90,692)
Enterprise	792,117	861,401	69,284
Fiduciary	21,000	32,000	11,000
Total	\$ 2,312,050	\$ 2,513,323	\$ 201,273

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,416,349	\$ 1,294,962	\$ 121,387
Special Revenue	476,275	321,740	154,535
Debt Service	38,264	2,320	35,944
Capital Projects	238,670	168,618	70,052
Enterprise	1,116,615	807,058	309,557
Fiduciary	97,029	-	97,029
Total	\$ 3,383,202	\$ 2,594,698	\$ 788,504

4. COMPLIANCE

The Village did not properly certify the availability of funds in accordance with Ohio Revised Code, Section 5705.41 (D) for 43 percent of the commitments that were tested by audit for 2004 and 2005.

5. PROPERTY TAX

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

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

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

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004
(continued)**

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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.

7. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Wastewater Treatment First Mortgage Revenue Refunding Bonds	\$ 110,000	5.88% to 6.5%
OPWC Loan (Main St.)	112,500	0.00%
OPWC Loan (Sludge)	426,830	0.00%
OPWC Loan (Water Tower)	405,332	0.00%
OPWC Loan (Commerce Street)	109,669	0.00%
Eaton National Bank (Trash Truck)	58,500	4.75%
Total	<u>\$ 1,222,831</u>	

The Wastewater Treatment First Mortgage Revenue Refunding Bonds were issued in 1996 for \$340,000 to refinance a 1985 bond. The purpose of these bonds was to expand the Village water supply and construct certain improvements to the municipally owned wastewater treatment system (See Note 10).

The Village was awarded an interest free loan in 2000 from the Ohio Public Works Commission (OPWC) in the amount of \$150,000. This loan is to be used to finance the Main Street Improvement Project. The project was completed in 2001. The Village is making semi-annual payments of \$3,750 with the final payment due January 1, 2021.

The Village was awarded an interest free loan in 2004 from the Ohio Public Works Commission in the amount of \$474,256. This loan was used to finance a sludge management facilities remodel project. The Village is making semi-annual payments of \$11,856 with the final payment due January 1, 2024.

The Village was awarded an interest free loan from the Ohio Public Works Commission in the amount of \$600,490. This loan is to be used to finance a water system improvements project. The Village completed the project in 1999. The Village is making semi-annual payments of \$15,012 with the final payment due July 1, 2019.

The Village was awarded a loan from the Ohio Public Works Commission in 2005. This loan is to be used to finance the widening of Commerce Street, a water system improvements project. The Village has not completed the project as of December 31, 2005 and the final project costs are not determined as of that date. The debt outstanding represents the amount paid by OPWC during 2005 for the project which will become part of the final loan amount upon project completion. Payment requirements on the debt presented below have been estimated due to the interim nature of the project.

**VILLAGE OF LEWISBURG
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004
(continued)**

The Village obtained a loan from Eaton National Bank for \$58,500, at a 4.75 percent interest rate on January 24, 2005. Proceeds from the loan were used towards the purchase of a trash truck. The loan matures on January 24, 2006 with the total amount due of \$61,279.

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

Year ending December 31:	Waste Water First Mortgage Refunding Bonds	OPWC (Water Tower)	OPWC (Main Street Project)	OPWC (Sludge Maintenance Project)	OPWC (Commerce Street Project)	Eaton National Bank (Trash Truck)
2006	\$ 42,150	\$ 15,013	\$ 3,750	\$ 11,856	\$ 5,483	\$ 61,279
2007	39,875	30,025	7,500	23,713	5,483	-
2008	42,600	30,025	7,500	23,713	5,483	-
2009	-	30,025	7,500	23,713	5,483	-
2010	-	30,025	7,500	23,713	5,483	-
2011-2015	-	150,125	37,500	118,564	27,418	-
2016-2020	-	120,094	37,500	118,564	27,418	-
2021-2025	-	-	3,750	82,994	27,418	-
Total	<u>\$ 124,625</u>	<u>\$ 405,332</u>	<u>\$ 112,500</u>	<u>\$ 426,830</u>	<u>\$ 109,669</u>	<u>\$ 61,279</u>

During 2004, the Village authorized and executed an early call option to retire and pay off Water Revenue Bonds that had been issued in 1977 with an outstanding balance of \$185,000 (See Note 10).

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. PERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF LEWISBURG
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004
(continued)**

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance to full-time employees through a private carrier.

10. DEBT SERVICE TRUST FUNDS

The Village's Water Revenue Bonds require the Village to establish a Debt Reserve Fund and the Repair and Replacement Fund. The Village has established these funds. The Village makes monthly payments into these funds which are held by a trustee who, in turn, invests the funds and makes bond principle and interest payments when due. Upon the retirement of the bonds any remaining balance in the funds will be returned to the Village. During 2004, the Village made payments to the Trustee totaling \$28,000 and the Trustee made principal and interest payments on the bonds totaling \$41,050. During 2005, the Village made payments to the Trustee totaling \$41,164 and the Trustee made principal and interest payments on the bonds totaling \$39,100. At December 31, 2005, the custodian held \$34,250 in the Debt Reserve Fund and \$14,554 in the Repair and Replacement Fund, which are Village assets. These assets and the related receipts and disbursements made by the Trustee are not reflected in the accompanying financial statements.

In addition, during 2004, the Village authorized and executed an early call option to retire and pay off Water Revenue Bonds that had been issued in 1977 with an outstanding balance of \$185,000. The retirement of the bonds utilized cash held by the Trustee in various bond fund trust accounts that had been established as part of the bond issue as well as additional proceeds from the issuance of a \$40,000 Waterworks System Bond Anticipation Note dated May 13, 2004 that carried an interest rate of 2.25 percent with a maturity date of May 12, 2005. The proceeds of the Note and the retirement of the bonds were handled through the trust accounts of the Trustee and are not reflected in the accompanying financial statements. The Village retired the \$40,000 Waterworks System Bond Anticipation Note on May 5, 2005 from the Water Fund.

11. CONTINGENT LIABILITIES

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

12. RELATED ORGANIZATION

The Brown Memorial Library is a related organization to the Village. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the Village.

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Members of Village Council
Village of Lewisburg
211 South High Street
Lewisburg, OH 45154

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 27, 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our 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 Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated November 27, 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 and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-01.

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

Bastin & Company, LLC

Cincinnati, Ohio
November 27, 2006

**VILLAGE OF LEWISBURG
PREBLE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDING NUMBER 2005-01

Noncompliance Citation

Ohio Revised Code, Section 5705.41 (D), states that no subdivision or taxing authority unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same...has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

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

The Village Clerk did not certify the availability of funds for 43 percent of the commitments tested for 2004 and 2005.

Village’s Response

The Village concurs with the citation and will attempt to ensure that proper certification is obtained in the future.

**VILLAGE OF LEWISBURG
PREBLE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Expenditures exceeded appropriations for 2002 and 2003 noncompliance citation ORC section 5705.41	Yes	Condition did not apply to the current audit period.
2003-002	Appropriations exceeded estimated resources noncompliance citation ORC section 5705.39	Yes	Condition did not apply to the current audit period.
2003-003	Fiscal Officer certification noncompliance citation ORC, section 5705.41	No	Condition existed during current audit period, reissued as finding 2005-01.



Mary Taylor, CPA
Auditor of State

VILLAGE OF LEWISBURG

PREBLE 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 31, 2007**