

VILLAGE OF NEW LEBANON
DAYTON REGION, MONTGOMERY COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA

Auditor of State

Members of Village Council
Village of New Lebanon
198 South Clayton Road
New Lebanon, Ohio 45345

We have reviewed the *Independent Auditors' Report* of the Village of New Lebanon, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2007 through December 31, 2008. 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 New Lebanon is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 31, 2009

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**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

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MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT AUDITORS' REPORT

Village of New Lebanon
198 South Clayton Road
New Lebanon, Ohio 45345

To the Village Council:

We have audited the accompanying financial statements of the Village of New Lebanon, Montgomery County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the 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 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, 2008 and 2007 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, 2008 and 2007 or its changes in financial position or cash flows of its proprietary funds 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 encumbrances of the Village of New Lebanon, Montgomery County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

For the years ended December 31, 2008 and 2007, the Township revised its financial presentation comparable to the regulatory format presentation as prescribed by the Auditor of State of Ohio. See Note 11 Change in basis of accounting and restatement of fund equity.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determines is necessary to supplement, although not required to be a part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2009, on our consideration of the Village's internal control structure 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 25, 2009

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$ 64,423	\$ 475,387	\$ 0	\$ 0	\$ 539,810
Municipal Income Taxes	0	768,921	0	0	768,921
Intergovernmental Receipts	174,404	269,195	0	322,959	766,558
Special Assessments	0	86,707	0	0	86,707
Charges for Services	43,376	448,140	0	0	491,516
Fines and Forfeitures	2,556	355	0	0	2,911
Earnings on Investments	70,587	0	2,512	0	73,099
Miscellaneous	17,483	48,332	140,877	0	206,692
Total Cash Receipts	<u>372,829</u>	<u>2,097,037</u>	<u>143,389</u>	<u>322,959</u>	<u>2,936,214</u>
Cash Disbursements:					
Current:					
Security of Person and Property	0	1,304,801	0	0	1,304,801
Leisure Time Activities	85,515	0	0	0	85,515
Community Environment	24,158	0	0	0	24,158
Transportation		209,453	0	0	209,453
General Government	161,790	170,964	0	0	332,754
Capital Outlay	77,316	120,733	0	447,965	646,014
Debt Service:					
Principal	382,500	597,500	110,000	300,000	1,390,000
Interest	25,976	12,420	63,144	0	101,540
Total Cash Disbursements	<u>757,255</u>	<u>2,415,871</u>	<u>173,144</u>	<u>747,965</u>	<u>4,094,235</u>
Total Receipts Over/(Under) Disbursements	<u>(384,426)</u>	<u>(318,834)</u>	<u>(29,755)</u>	<u>(425,006)</u>	<u>(1,158,021)</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	342,500	477,500	25,000	157,832	1,002,832
Sale of Fixed Assets	0	12,937	0	0	12,937
Transfers-in	486,996	409,204	0	165,273	1,061,473
Transfers-out	(412,145)	(649,328)	0	0	(1,061,473)
Other Sources	0	8,243	0	0	8,243
Other Uses	(18,760)	(15,639)	0	0	(34,399)
Total Other Financing Receipts/(Disbursements)	<u>398,591</u>	<u>242,917</u>	<u>25,000</u>	<u>323,105</u>	<u>989,613</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,165	(75,917)	(4,755)	(101,901)	(168,408)
Fund Cash Balances, January 1	<u>843,884</u>	<u>602,253</u>	<u>173,327</u>	<u>198,502</u>	<u>1,817,966</u>
Fund Cash Balances, December 31	<u>858,049</u>	<u>526,336</u>	<u>168,572</u>	<u>96,601</u>	<u>1,649,558</u>
Reserve for Encumbrances, December 31	<u>\$ 15,504</u>	<u>\$ 31,192</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,696</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	PROPRIETARY FUND TYPE Enterprise
Operating Cash Receipts:	
Changes for Services	\$ 1,186,336
Miscellaneous	10,473
Total Operating Cash Receipts	1,196,809
Operating Cash Disbursements:	
Personal Services	345,098
Travel Transportation	534
Contractual Services	473,033
Supplies and Materials	81,922
Capital Outlay	114,973
Total Operating Cash Disbursements	1,015,560
Operating Income (Loss)	181,249
Non-Operating Receipts (Disbursements)	
Sale of Notes	502,168
Miscellaneous	0
Sale of Assets	3,000
Debt Service:	
Principal	(606,391)
Interest	(35,280)
Other Financing Sources	0
Other Financing Uses	(586)
Total Non-Operating Cash Receipts	(137,089)
Excess of Revenues Over/(Under) Expenses before Interfund Transfers	44,160
Transfers In	0
Net Receipts Over/(Under) Disbursements	44,160
Fund Cash Balances, January 1	775,114
Fund Cash Balances, December 31	819,274
Reserve for Encumbrances, December 31	\$ 56,544

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW LEBANON
MONTGOMERY 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

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 79,129	\$ 526,662	\$ 0	\$ 0	\$ 605,791
Municipal Income Taxes	0	748,257	0	0	748,257
Intergovernmental Receipts	151,409	226,156	0	0	377,565
Special Assessments	0	101,566	0	0	101,566
Charges for Services	51,742	430,745	0	0	482,487
Fines and Forfeitures	2,387	396	0	0	2,783
Earnings on Investments	120,754	0	8,934	0	129,688
Miscellaneous	3,383	82,522	162,204	0	248,109
Total Cash Receipts	<u>408,804</u>	<u>2,116,304</u>	<u>171,138</u>	<u>0</u>	<u>2,696,246</u>
Cash Disbursements:					
Current:					
Security of Person and Property	0	1,297,746	0	55,143	1,352,889
Leisure Time Activities	97,853	0	0	0	97,853
Transportation	0	148,677	0	0	148,677
General Government	208,767	182,405	0	0	391,172
Capital Outlay	15,285	70,870	0	0	86,155
Debt Service:					
Principal	685,000	383,000	160,000	457,286	1,685,286
Interest	28,676	14,153	67,897	0	110,726
Total Cash Disbursements	<u>1,035,581</u>	<u>2,096,851</u>	<u>227,897</u>	<u>512,429</u>	<u>3,872,758</u>
Total Receipts Over/(Under) Disbursements	<u>(626,777)</u>	<u>19,453</u>	<u>(56,759)</u>	<u>(512,429)</u>	<u>(1,176,512)</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	645,000	290,000	50,000	300,000	1,285,000
Sale of Fixed Assets	23,906	0	0	0	23,906
Transfers-in	470,959	387,560	15,000	350,570	1,224,089
Transfers-out	(580,844)	(628,245)	0	0	(1,209,089)
Total Other Financing Receipts/(Disbursements)	<u>559,021</u>	<u>49,315</u>	<u>65,000</u>	<u>650,570</u>	<u>1,323,906</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(67,756)	68,768	8,241	138,141	147,394
Fund Cash Balances, January 1	<u>911,640</u>	<u>533,485</u>	<u>165,086</u>	<u>60,361</u>	<u>1,670,572</u>
Fund Cash Balances, December 31	<u>843,884</u>	<u>602,253</u>	<u>173,327</u>	<u>198,502</u>	<u>1,817,966</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW LEBANON
MONTGOMERY 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:	
Changes for Services	\$ 1,116,101
Miscellaneous	2,096
Total Operating Cash Receipts	1,118,197
Operating Cash Disbursements:	
Personal Services	349,212
Travel Transportation	514
Contractual Services	463,094
Supplies and Materials	62,397
Capital Outlay	36,866
Total Operating Cash Disbursements	912,083
Operating Income (Loss)	206,114
Non-Operating Receipts (Disbursements)	
Sale of Notes	575,000
Miscellaneous	6,256
Debt Service:	
Principal	(686,933)
Interest	(44,758)
Other Financing Sources	5,206
Other Financing Uses	(296)
Total Non-Operating Cash Receipts	(145,525)
Excess of Revenues Over/(Under) Expenses before Interfund Transfers	60,589
Transfers Out	(15,000)
Net Receipts Over/(Under) Disbursements	45,589
Fund Cash Balances, January 1	729,525
Fund Cash Balances, December 31	775,114

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Lebanon, Montgomery County, Ohio (the Village) is a body corporate and public 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 and Mayor. The Village provides general governmental services, including water, sewer, refuse service, park operations (leisure time activities), and police services.

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

New Lebanon Community Improvement Corporation

The New Lebanon Community Improvement Corporation (CIC) was formed to advance, encourage, and promote the industrial, economic, commercial, and civic development of the Village of New Lebanon, Ohio, by acting as a designated agency of the Village for the industrial, commercial, distribution, and research development in such political subdivision in accordance with Section 1724.10 of the Ohio Revised Code.

The CIC is governed by a board of trustees consisting of no more than fifteen members. The trustees manage and oversee the operation of the corporation.

For the years ended December 31, 2008 and 2007 the CIC had no financial activity and should be considered an advisory committee to the Village. Information can be obtained by contacting Brenda Etter, Financial Officer, Village of New Lebanon, 198 Clayton Rd, New Lebanon Ohio, 45345.

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 a payment is made 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 deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Mutual funds are recorded at share values reported by the mutual fund.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

General Fund:

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

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:

Fire Levy Fund – receives general property taxes and contractual services, which are used to provide fire and emergency services to its residents and surrounding communities.

Police Levy Fund – receives general property taxes and is used to account for activities pertaining to public safety.

Debt Service Funds:

These funds are used to accumulate resources for the payment of indebtedness.

Area One Court Building – This fund accumulates resources for the payment of bonds issued.

Capital Project Funds:

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

Capital Improvement Fund – This fund provides monies for the purchase of large equipment, vehicles, and buildings for the Village.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Enterprise Funds:

These funds account for operations that are similar to private 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 – Receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund – Receives charges for services from residents to cover the cost of providing this utility.

Garbage/Trash – Receives charges for service from residents and makes payments to contractors.

E. Budgetary Process

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

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. Unencumbered appropriations lapse at year-end.

Estimate Resources

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

Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

	<u>2008</u>		<u>2007</u>
Demand Deposits	\$ 467,214	\$	410,227
Certificates of Deposit	1,250,000		1,450,000
Star Ohio	751,418		732,653
Cash on Hand	<u>200</u>		<u>200</u>
Total deposits and investments	\$ <u>2,468,832</u>	\$	<u>2,593,080</u>

Deposits:

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

Investments:

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2008 and 2007 was as follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 855,703	\$ 1,202,325	\$ (346,622)
Special Revenue	2,527,419	3,004,921	(477,502)
Debt Service	168,389	168,389	0
Capital Projects	646,064	646,064	0
Enterprise Funds	1,199,808	1,701,977	(502,169)
Total	<u>\$ 5,397,383</u>	<u>\$ 6,723,676</u>	<u>\$ (1,326,293)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,126,372	\$ 1,203,664	\$ (77,292)
Special Revenue	2,910,736	3,112,030	(201,294)
Debt Service	173,144	173,144	0
Capital Projects	747,955	747,965	(10)
Enterprise Funds	1,438,788	1,714,361	(275,573)
Total	<u>\$ 6,396,995</u>	<u>\$ 6,951,164</u>	<u>\$ (554,169)</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,552,790	\$ 1,548,669	\$ 4,121
Special Revenue	2,793,864	2,793,864	0
Debt Service	236,138	236,138	0
Capital Projects	650,570	650,570	0
Enterprise Funds	1,704,658	1,704,659	(1)
Total	<u>\$ 6,938,020</u>	<u>\$ 6,933,900</u>	<u>\$ 4,120</u>

2007 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,829,269	\$ 1,616,425	\$ 212,844
Special Revenue	3,111,481	2,725,096	386,385
Debt Service	227,907	227,897	10
Capital Projects	1,373,567	512,429	861,138
Enterprise Funds	1,966,640	1,659,070	307,570
Total	<u>\$ 8,508,864</u>	<u>\$ 6,740,917</u>	<u>\$ 1,767,947</u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.39, which states that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. In 2008 appropriations exceeded estimated resources in the police, income tax, and street lighting funds by \$101,240, \$10,896, and \$112, respectively; and in 2007 for the police, income tax, capital improvement, and construction project funds by \$73,936, \$38,823, \$7,218, and \$660,652, respectively.

Contrary to Ohio Rev. Code Section 5705.41, which states that no subdivision or taxing unit shall expend money unless it has been appropriated. Expenditures exceed appropriations in 2008 in the general, fire, police, area one court, and water funds by \$77,292, \$121,865, \$149,433, \$3,496, and \$292,683, respectively; and in 2007 the sidewalk, curb fund by \$22,342.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation - Fire House	240,000	2.0%
General Obligation - Sewer Improvement	175,000	3.0%
General Obligation - Water Works	485,000	2.75%
General Obligation - Municipal Building	605,000	2.75%
General Rev Bonds - Area One Court	1,165,000	4.25%
OPWC - WWTP Phase I	128,276	0.0%
OPWC - WWTP Phase II	306,321	0.0%
Total	<u>\$3,104,597</u>	

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

5. DEBT (Continued)

The Village's general obligation notes and revenue anticipation notes consists of the following:

1994 construction of the fire house - balance remaining \$240,000
 2002 sewer improvement project – remaining balance \$175,000
 Consolidated municipal building, area one court land, New Lebanon Plaza, and Lawson storm sewer project was renewed in 2008 with a consolidated note - balance remaining \$605,000.

Water works revenue anticipation note with a balance of \$485,000 comprised of acquiring real property for well field protection \$250,000, replacing an existing well with well #5 \$100,000, constructing a water main and related improvements along North Clayton Road \$95,000 and constructing well #6 and abandoning well #2 \$120,000. The notes are secured by water receipts and the Village has agreed to set utility rates sufficient to cover debt service requirements.

Phase I and Phase II revenue anticipation notes were obtained for the purpose of paying for Phase I and Phase II improvements to the Village sewer plant that was mandated by the Ohio Environmental Protection Agency. These notes are zero percent interest. Phase I balance remaining \$128,276 and Phase II is \$306,321.

The Village issued County Court Facility Revenue Bonds, Series 1998 for the cost of constructing and furnishing a building for use as a court building by Montgomery County District Court One. Interest on the Series 1998 bonds is payable on June 1 and December 1 of each year, commencing June, 2001. In conjunction with the bonds issued, the Village entered into a construction and lease agreement with Montgomery County in which the County agreed to lease the project from the Village for a 20-year period. The County agreed to pay a fixed minimum rent for the project at an amount which has been calculated by the Village to be sufficient in time and amount to pay the Bond service charges on the Series 1998 bonds when due.

The following is a summary of the Village's future annual debt service requirements, including interest:

Year	Area One Court		WWTP	Other
	Principal	Interest		
2009	\$ 95,000	\$ 57,079	\$ 44,219	\$ 1,544,914
2010	100,000	52,708	44,219	0
2011	100,000	48,009	44,219	0
2012	105,000	43,259	44,219	0
2013	110,000	38,140	44,219	0
2014 – 2118	655,000	101,250	92,820	0
2019 – 2024	0	0	120,682	0
Totals	<u>\$1,165,000</u>	<u>\$340,445</u>	<u>\$434,597</u>	<u>\$ 1,544,914</u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent in 2008 and 9.5 percent in 2007 of their wages. The Village contributed an amount equal to 14 percent and 13.85 percent of participants' gross salaries in 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

7. RISK MANAGEMENT

The Village has obtained commercial insurance through EMC Insurance Companies for the following risks:

General liability	\$ 1,000,000
Auto liability & auto physical damage	1,000,000
Property coverage	12,307,376 Blanket coverage
Inland marine coverage	1,000/\$20,000
Manager and Finance Director Bond	100,000
Commercial Umbrella	5,000,000

The Village has also obtained public officials liability coverage through Aspen Specialty Insurance Companies for the following:

Public Officials Liability	\$1,000,000
Public Officials Liability	\$1,000,000

The Village also provides health, prescription, dental, drug, long term disability, long term care, accidental death and dismemberment, life insurance to full-time employees through private carriers.

There have been no significant reductions in insurance coverage during 2008 or 2007. Settled claims have not exceeded commercial excess coverage in any of the past three year.

8. LOCAL INCOME TAX

This locally levied tax of 1% applies to gross salaries, wages, and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located in the Village. For 2008 and 2007 amount collected was \$768,921 and \$748,257, respectively.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

9. CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation that the Village's legal counsel anticipates a loss.

10. TRANSFERS

The Village had the following transfers:

From	To	2008	2007
General Fund	Special Revenue	409,204	387,560
General Fund	Capital Projects	2,941	193,284
Income Tax Fund	General Fund	486,996	470,959
Income Tax Fund	Capital Projects	162,332	157,286
Enterprise Fund	Debt Service		15,000

11. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

This year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. Last year the Village had implemented the modified cash basis of accounting, which included fund financial statements presenting each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of equity due to this change.

For the year ended December 31, 2007 and 2008, the Village revised its financial presentation comparable to the regulatory basis of accounting as prescribed by the State Auditor's Office.

MANNING & ASSOCIATES, CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

Village of New Lebanon
198 South Clayton Road
New Lebanon, Ohio 45345

To the Village Council:

We have audited the financial statements of the Village of New Lebanon, Montgomery County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 25, 2009, 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 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.

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.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2008-001 through 2008-003.

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

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

Manning & Associates CPAs, LLC
Dayton, Ohio

June 25, 2009

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 certificates, 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 the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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 or 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. 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, and any other specific recurring and reasonably 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 one line item appropriation.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001, (Continued)

The Village issued purchase orders after the incurrence of an expense, without certifying the purchase as a “then and Now.” Of the disbursements reviewed during our audit, 30 in 2008 and 46 in 2007 were linked to purchase orders after the expense was incurred without the proper “then and now” certification.

Response: The Village will review ORC regulations to ensure that purchase orders are properly issued and used.

FINDING NUMBER 2008-002

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In addition, the following funds had appropriations in excess of the amounts certified as available by the Amended Certificate of Estimated Resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2008			
Police Fund	\$ 787,353	\$ 888,593	\$ (101,240)
Income Tax	769,682	780,578	(10,896)
Street Lighting	76,473	76,473	(112)
2007			
Police Fund	\$ 784,039	\$ 857,974	\$ (73,936)
Income Tax	750,656	789,480	(38,823)
Capital Improvement	457,286	464,498	(7,218)
Construction Projects	118,475	779,117	(660,652)

To comply with this section and improve budgetary controls the Village should file their appropriation measures with the county budget commission for certification that the amounts appropriated do not exceed the available resources. In addition, the Certificate of Estimated Resources should be amended on a timely basis to reflect changes in actual or expected revenue and the corresponding appropriations should be amended accordingly.

Response: The Village will monitor budgetary compliance more closely in the future.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-003

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall expend money unless it has been appropriated. During 2008 and 2007, the Village had instances where budgetary expenditures exceeded the amounts appropriated at the legal level of control:

Fund	Appropriations	Expenditures	Variance
2008			
General Fund	\$ 1,126,372	\$ 1,188,160	\$ (61,788)
Fire Fund	730,052	851,917	(121,865)
Police Fund	888,593	1,038,026	(149,433)
Area One Court Op.	78,782	82,278	(3,496)
Water Fund	666,291	958,974	(292,683)
2007			
Sidewalk, Curb Fund	\$ 1,286	\$ 23,628	\$ (22,342)

The Village should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Village expends or certifies as available more resources than were legally appropriated by Village Council.

Response: Fiscal Officer will monitor budgetary compliance more closely in the future.



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW LEBANON

MONTGOMERY 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
SEPTEMBER 10, 2009**