



Dave Yost • Auditor of State

VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Mayor and Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of New Lebanon, Montgomery County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of New Lebanon, Montgomery County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 17, 2015

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$60,252	\$529,903			\$590,155
Municipal Income Tax		757,497			757,497
Intergovernmental	106,213	277,313		\$435,577	819,103
Special Assessments	771	55,657			56,428
Charges for Services	49,877	451,589			501,466
Fines, Licenses and Permits	3,402	3,915			7,317
Earnings on Investments	3,049	113			3,162
Miscellaneous	14,533	58,777	\$162,204		235,514
Total Cash Receipts	<u>238,097</u>	<u>2,134,764</u>	<u>162,204</u>	<u>435,577</u>	<u>2,970,642</u>
Cash Disbursements:					
Current:					
Security of Persons and Property		1,166,357			1,166,357
Leisure Time Activities	79,138				79,138
Community Environment	35,100				35,100
Transportation		148,194			148,194
General Government	153,442	170,813		1,439	325,694
Capital Outlay	47,563	54,151		1,144,233	1,245,947
Debt Service:					
Principal Retirement		64,557	120,000		184,557
Interest and Fiscal Charges			32,750		32,750
Total Cash Disbursements	<u>315,243</u>	<u>1,604,072</u>	<u>152,750</u>	<u>1,145,672</u>	<u>3,217,737</u>
Excess of Receipts Over (Under) Disbursements	<u>(77,146)</u>	<u>530,692</u>	<u>9,454</u>	<u>(710,095)</u>	<u>(247,095)</u>
Other Financing Receipts (Disbursements):					
Other Debt Proceeds	11,376	21,891		673,886	707,153
Transfers In	466,942	213,404		162,205	842,551
Transfers Out	(219,962)	(622,589)			(842,551)
Other Financing Sources	15,590	30,014			45,604
Other Financing Uses	(35,487)	(23,013)			(58,500)
Total Other Financing Receipts (Disbursements)	<u>238,459</u>	<u>(380,293)</u>		<u>836,091</u>	<u>694,257</u>
Special Item	(30,516)				(30,516)
Net Change in Fund Cash Balances	130,797	150,399	9,454	125,996	416,646
Fund Cash Balances, January 1	<u>987,972</u>	<u>1,008,016</u>	<u>225,541</u>	<u>459,993</u>	<u>2,681,522</u>
Fund Cash Balances, December 31:					
Non-spendable					
Restricted	10,977	1,092,285	234,995	585,989	1,924,246
Committed		66,130			66,130
Assigned	178,734				178,734
Unassigned (Deficit)	929,058				929,058
Fund Cash Balances, December 31	<u>\$1,118,769</u>	<u>\$1,158,415</u>	<u>\$234,995</u>	<u>\$585,989</u>	<u>\$3,098,168</u>

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,182,701
Miscellaneous	11,969
Total Operating Cash Receipts	1,194,670
Operating Cash Disbursements:	
Personal Services	261,814
Employee Fringe Benefits	94,504
Contractual Services	485,330
Supplies and Materials	76,066
Total Operating Cash Disbursements	917,714
Operating Income (Loss)	276,956
Non-Operating Receipts (Disbursements):	
Sale of Bonds	245,568
Miscellaneous Receipts	13,604
Capital Outlay	(135,843)
Principal Retirement	(306,616)
Interest and Other Fiscal Charges	(4,974)
Other Financing Sources	6,635
Other Financing Uses	(317)
Total Non-Operating Receipts (Disbursements)	(181,943)
Net Change in Fund Cash Balances	95,013
Fund Cash Balances, January 1	1,292,435
Fund Cash Balances, December 31	\$1,387,448

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$60,418	\$530,187			\$590,605
Municipal Income Tax		747,508			747,508
Intergovernmental	70,025	281,599		\$361,043	712,667
Special Assessments	11,243	54,903			66,146
Charges for Services	40,905	443,045			483,950
Fines, Licenses and Permits	2,451	4,490			6,941
Earnings on Investments	8,021	352			8,373
Miscellaneous	37,039	79,206	\$162,204		278,449
Total Cash Receipts	<u>230,102</u>	<u>2,141,290</u>	<u>162,204</u>	<u>361,043</u>	<u>2,894,639</u>
Cash Disbursements:					
Current:					
Security of Persons and Property		1,222,946			1,222,946
Leisure Time Activities	75,039				75,039
Community Environment	31,417				31,417
Transportation		139,501			139,501
General Government	153,774	153,763			307,537
Capital Outlay	25,592	51,804		650,933	728,329
Debt Service:					
Principal Retirement	100,000	112,277	110,000		322,277
Interest and Fiscal Charges	2,250	1,645	38,140		42,035
Total Cash Disbursements	<u>388,072</u>	<u>1,681,936</u>	<u>148,140</u>	<u>650,933</u>	<u>2,869,081</u>
Excess of Receipts Over (Under) Disbursements	<u>(157,970)</u>	<u>459,354</u>	<u>14,064</u>	<u>(289,890)</u>	<u>25,558</u>
Other Financing Receipts (Disbursements):					
Other Debt Proceeds		5,720		231,488	237,208
Transfers In	476,778	230,443		158,927	866,148
Transfers Out	(230,443)	(635,705)			(866,148)
Other Financing Sources	7,277	33,295			40,572
Other Financing Uses	(57,097)	(11,942)			(69,039)
Total Other Financing Receipts (Disbursements)	<u>196,515</u>	<u>(378,189)</u>		<u>390,415</u>	<u>208,741</u>
Net Change in Fund Cash Balances	38,545	81,165	14,064	100,525	234,299
Fund Cash Balances, January 1	<u>949,427</u>	<u>926,851</u>	<u>211,477</u>	<u>359,468</u>	<u>2,447,223</u>
Fund Cash Balances, December 31:					
Non-spendable					
Restricted	10,320	939,938	225,541	459,993	1,635,792
Committed		68,078			68,078
Assigned	116,097				116,097
Unassigned (Deficit)	861,555				861,555
Fund Cash Balances, December 31	<u>\$987,972</u>	<u>\$1,008,016</u>	<u>\$225,541</u>	<u>\$459,993</u>	<u>\$2,681,522</u>

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,168,085
Miscellaneous	9,499
Total Operating Cash Receipts	1,177,584
Operating Cash Disbursements:	
Personal Services	264,934
Employee Fringe Benefits	92,123
Contractual Services	476,797
Supplies and Materials	46,705
Claims	868
Other	50
Total Operating Cash Disbursements	881,477
Operating Income (Loss)	296,107
Non-Operating Receipts (Disbursements):	
Sale of Bonds	285,455
Capital Outlay	(191,128)
Principal Retirement	(371,083)
Interest and Other Fiscal Charges	(6,094)
Other Financing Sources	8,858
Total Non-Operating Receipts (Disbursements)	(273,992)
Net Change in Fund Cash Balances	22,115
Fund Cash Balances, January 1	1,270,320
Fund Cash Balances, December 31	\$1,292,435

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 New Lebanon, Montgomery County, (the Village) as a body corporate and politic. A publicly-elected six-member Council and Mayor directs the Village. The Village provides water, sewer and trash utilities, park operations, and police and fire/EMS services.

The Village's management believes these financial statements present all activities for which the Village 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, by acting as a designated agency of the Village for the industrial, commercial, distribution, and research and 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, 2014 and 2013 the CIC had no financial activity and should be considered an advisory committee to the Village. Information can be obtained by contacting Brenda Etter, Chief Financial Officer, Village of New Lebanon, 198 South Clayton Road, New Lebanon, Ohio 45345.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Fire Levy Fund - This fund receives general property taxes and charge for service revenue, which are used to provide fire and emergency services to its residents and surrounding communities.

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Montgomery County Municipal Court – This fund accumulates resources for the repayment of bonds issued for the Montgomery County Municipal Court.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Construction Projects Fund – This fund receives monies for street and highway projects.

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

Sanitary Sewer Rehab Fund – This fund receives monies to rehab the Village's sanitary sewer system.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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.

Garbage/Trash Fund - This fund receives charges for services from residents to cover trash contractor payments 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 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.

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 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 carried over, and need not be re-appropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

	<u>2014</u>	<u>2013</u>
Demand deposits	\$2,694,468	\$2,192,513
Certificates of deposit	800,000	800,000
Total deposits	<u>3,494,468</u>	<u>2,992,513</u>
Cash on hand	300	300
STAR Ohio	755,852	755,603
US Bank Muni Court	234,996	225,541
Total investments	<u>991,148</u>	<u>981,444</u>
Total deposits and investments	<u>\$4,485,616</u>	<u>\$3,973,957</u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$732,004	\$732,005	\$1
Special Revenue	2,400,073	2,400,073	
Debt Service	162,204	162,204	
Capital Projects	1,271,668	1,271,668	
Enterprise	1,460,477	1,460,477	
Total	<u>\$6,026,426</u>	<u>\$6,026,427</u>	<u>\$1</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$803,027	\$601,208	\$201,819
Special Revenue	2,644,166	2,249,674	394,492
Debt Service	152,750	152,750	
Capital Projects	1,241,878	1,145,672	96,206
Enterprise	1,497,325	1,365,464	131,861
Total	<u>\$6,339,146</u>	<u>\$5,514,768</u>	<u>\$824,378</u>

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$714,158	\$714,157	(\$1)
Special Revenue	2,410,748	2,410,748	
Debt Service	162,204	162,204	
Capital Projects	751,458	751,458	
Enterprise	1,471,897	1,471,897	
Total	<u>\$5,510,465</u>	<u>\$5,510,464</u>	<u>(\$1)</u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$900,576	\$675,612	\$224,964
Special Revenue	2,659,280	2,329,583	329,697
Debt Service	148,140	148,140	
Capital Projects	770,666	650,933	119,733
Enterprise	1,665,013	1,449,782	215,231
Total	\$6,143,675	\$5,254,050	\$889,625

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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

For 2014 and 2013, the amount of income tax collected was \$757,497 and \$747,508, respectively. Income tax receipts are recorded in the income tax fund (special revenue fund) and transferred to the general fund and capital projects fund according to Village ordinance. For 2014, \$466,942 was transferred to the general fund and \$155,647 was transferred to the capital projects fund. For 2013, \$476,778 was transferred to the general fund and \$158,927 was transferred to the capital projects fund.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Revenue Notes - Water Works	\$245,000	1.750%
General Revenue Bonds - Mont Co Muni Court	\$535,000	4.9%
Ohio Public Works Commission - Water Main Replacement	\$51,262	0%
Ohio Public Works Commission - WWTP Phase II	\$194,931	0%
Ohio Public Works Commission - SS Rehab Phase 10	\$34,422	0%
Ohio Public Works Commission - Main Street Phase I	\$146,029	0%
Ohio Public Works Commission - Main Street Phase II	\$304,014	0%
Ohio Public Works Commission - Main Street Phase III	\$455,280	0%
Ohio Public Works Commission - Main Street Phase IV	\$495,739	0%
Ohio Public Works Commission - Main Street Phase V	\$496,992	0%
Ohio Public Works Commission - Fuls Road Phase I	202,064	0%
Ohio Public Works Commission - Fuls Road Phase II	210,161	0%
Total	<u>\$3,370,894</u>	

The Village's debt consists of the following:

Water Works – This revenue anticipation note was originally issued to acquire real property for well field protection, to replace an existing well, to construct a water main, and construct and abandon a well. The note is renewed annually. The notes are secured by water receipts and the Village has agreed to set utility rates to cover debt service requirements.

Montgomery County Municipal Court – The Village issued County Court Facility Revenue Bonds in 1998 for the cost of constructing and furnishing a building for use as a court building by Montgomery County District Court One. Principal payments are made annually and interest payments are made semi-annually. In conjunction with the bonds, the Village entered into a construction and lease agreement with Montgomery County in which the County agreed to lease the building from the Village for a 20-year period. The County agreed to pay a fixed minimum rent for the building at an amount which has been calculated by the Village to be sufficient in time and amount to pay the debt service charges on the bonds when due, with final maturity in December 2018.

OPWC Water Main Replacement – This loan was obtained in 2011 and 2012 to pay for costs related to the Farmersville-Johnsville Water Main Replacement Project. The loan is zero percent interest. Semi-annual payments in the amount of \$932, with the final payment being made in 2042 are required.

OPWC Wastewater Treatment Plant – The Phase II OPWC loan was obtained in 2005 for the purpose of paying for improvements to the Village sewer plant that was mandated by the Ohio Environmental Protection Agency. This loan is zero percent interest. Semi-annual payments in the amount of \$9,282, with the final payment being made in 2025 are required for Phase II.

OPWC Sanitary Sewer Rehab – Phase 10 OPWC loans were obtained in 2012 and 2013 to rehab the Village's sanitary sewers. These loans are zero percent interest. Semi-annual payments in the amount of \$593, with the final payment being made in 2043, are required.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT (Continued)

OPWC Main Street - Phase I, Phase II, Phase III, Phase IV and Phase V OPWC loans were obtained from 2009 to 2014 for costs related to the improvements made to Main Street. These improvements included street paving, curb and sidewalk replacements, storm sewers, catch basins, etc. These loans are zero percent interest. Semi-annual payments in the amount of \$4,868, with the final payment being made in 2029 are required for Phase I. Semi-annual payments in the amount of \$6,080, with the final payment being made in 2039 are required for Phase II. Semi-annual payments in the amount of \$8,431, with the final payment being made in 2041 are required for Phase III. Semi-annual payments in the amount of \$9,013, with the final payment being made in 2042 are required for Phase IV. Semi-annual payments in the amount of \$8,238, with the final payment being made in 2044 are required for Phase V.

OPWC Fuls Road - Phase I and Phase II loans were obtained in 2012 and 2013 for costs related to improvements made to Fuls Road. These improvements included street paving, curb and sidewalk replacements, storm sewers, catch basins, etc. This loan is zero percent interest. Semi-annual payments in the amount of \$3,886, with the final payment being made in 2040, are required for Phase 1. Semi-annual payments in the amount of \$3,502, with the final payment being made in 2044, are required for Phase 2.

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

Year ending December 31:	General Revenue Notes - Water Works	General Revenue Bonds - Mont Co Muni Court	OPWC Loans
2015	\$249,276	\$151,750	\$109,744
2016		150,500	109,744
2017		149,000	109,744
2018		152,250	109,744
2019			109,744
2020-2024			548,722
2025-2029			465,180
2030-2034			407,221
2035-2039			407,221
2040-2044			213,830
Total	\$249,276	\$603,500	\$2,590,894

7. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10% (full time police and firefighters January 1-June 30, 2013), 10.75% (full time police and firefighters July 1, 2013-June 30, 2014) and 11.5% (full time police and firefighters July 1-December 31, 2014) of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. 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.

10. SUBSEQUENT EVENTS

The Village was awarded Ohio Public Works Commission Grant/Loans for Phase 7 of the Main Street Improvement Project in the amount of \$981,902 and for Phase 12 of the Sanitary Sewer Relining Program in the amount of \$197,128 on January 20, 2015.

The Village issued \$205,000 of Waterworks System Revenue Notes for the purpose of acquiring real property for well field protection, replacing an existing well, constructing a water main and related improvements along North Clayton Road and constructing well #6 and abandoning well #2 and related purposes for the Village's Waterworks System on May 5, 2015.

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Dave Yost • Auditor of State

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

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

To the Village Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of New Lebanon, Montgomery County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2015, wherein we noted the Village followed financial reporting provision Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 17, 2015

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Income Tax Finding For Recovery Repaid Under Audit	Yes	The finding for recovery was repaid on September 4, 2013.
2012-002	Ohio Rev. Code Section 5705.41(B) (Expenditures exceeding Appropriations)	No	Reported to management of the Village in a separate letter.
2012-003	Financial Statement Errors	No	Reported to management of the Village in a separate letter.

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Dave Yost • 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
FEBRUARY 4, 2016**