

VILLAGE OF NEW LEBANON
DAYTON REGION, MONTGOMERY COUNTY
REGULAR AUDIT
JANUARY 1, 2001 – DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Village Council
Village of New Lebanon
198 South Clayton Road
New Lebanon, OH 45345

We have reviewed the Independent Auditor's Report of the Village of New Lebanon, Montgomery County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2001 through December 31, 2002. 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.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 10, 2003

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**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 2002 and 2001. 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 generally accepted auditing standards 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 in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 of New Lebanon, Montgomery County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued our report dated June 19, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 19, 2003

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**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, 2002

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$ 55,220	\$ 1,193,520	\$ 0	\$ 0	\$ 1,248,740
Intergovernmental Receipts	201,598	214,930	0	0	416,528
Special Assessments	0	127,917	0	0	127,917
Charges for Services	25,516	274,540	0	0	300,056
Fines, Licenses and Permits	4,671	550	0	0	5,221
Earnings on Investments	21,516	0	1,690	0	23,206
Miscellaneous	16,881	66,026	162,204	0	245,111
Total Cash Receipts	<u>325,402</u>	<u>1,877,483</u>	<u>163,894</u>	<u>0</u>	<u>2,366,779</u>
Cash Disbursements:					
Current:					
Security of Person and Property	0	899,543	0	0	899,543
Leisure Time Activities	48,785	0	0	0	48,785
Community Environment	43,961	0	0	0	43,961
Transportation	0	208,970	0	0	208,970
General Government	153,236	239,852	0	0	393,088
Capital Outlay	164,736	224,518	0	16,944	406,198
Debt Service:					
Principal	217,000	1,193,476	80,000	1,021,404	2,511,880
Interest	34,128	26,474	86,284	29,502	176,388
Total Cash Disbursements	<u>661,846</u>	<u>2,792,833</u>	<u>166,284</u>	<u>1,067,850</u>	<u>4,688,813</u>
Total Receipts Over/(Under) Disbursements	<u>(336,444)</u>	<u>(915,350)</u>	<u>(2,390)</u>	<u>(1,067,850)</u>	<u>(2,322,034)</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	147,105	1,113,000	0	900,000	2,160,105
Sale of Fixed Assets	4,757	0	0	0	4,757
Transfers-in	475,071	333,016	0	163,862	971,949
Transfers-out	(382,089)	(605,955)	0	0	(988,044)
Other Sources	38,782	14,395	0	0	53,177
Other Uses	(65)	(13,814)	0	0	(13,879)
Total Other Financing Receipts/(Disbursements)	<u>283,561</u>	<u>840,642</u>	<u>0</u>	<u>1,063,862</u>	<u>2,188,065</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(52,883)</u>	<u>(74,708)</u>	<u>(2,390)</u>	<u>(3,988)</u>	<u>(133,969)</u>
Fund Cash Balances, January 1, 2002	<u>588,378</u>	<u>406,747</u>	<u>159,984</u>	<u>37,197</u>	<u>1,192,306</u>
Fund Cash Balances, December 31, 2002	<u>535,495</u>	<u>332,039</u>	<u>157,594</u>	<u>33,209</u>	<u>1,058,337</u>
Reserve for Encumbrances, December 31, 2002	<u>\$ 66,793</u>	<u>\$ 46,608</u>	<u>\$ 0</u>	<u>\$ 21,815</u>	<u>\$ 135,216</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 AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	PROPRIETARY FUND TYPE <u>Enterprise</u>
Operating Cash Receipts:	
Changes for Services	\$ 1,121,699
Miscellaneous	3,910
Total Operating Cash Receipts	<u>1,125,609</u>
Operating Cash Disbursements:	
Personal Services	394,608
Travel Transportation	1,241
Contractual Services	437,298
Supplies and Materials	44,040
Capital Outlay	183,688
Total Operating Cash Disbursements	<u>1,060,875</u>
Operating Income (Loss)	<u>64,734</u>
Non-Operating Receipts (Disbursements)	
Sale of Notes	1,075,000
Debt Service:	
Principal	(1,167,000)
Interest	(61,996)
Other Financing Sources	6,537
Other Financing Uses	(642)
Total Non-Operating Cash Receipts	<u>(148,101)</u>
Excess of Revenues Over/(Under) Expenses before Interfund Transfers	(83,367)
Transfers In	36,700
Transfers Out	<u>(20,605)</u>
Net Receipts Over/(Under) Disbursements	(67,272)
Fund Balances, January 1, 2002	<u>425,760</u>
Fund Balances, December 31, 2002	<u>358,488</u>
Reserve for Encumbrances, December 31, 2002	<u>\$ 59,655</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 - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$ 56,006	\$ 1,194,682	\$ 0	\$ 0	\$ 1,250,688
Intergovernmental Receipts	184,331	203,255	0	132,115	519,701
Special Assessments	0	109,632	0	0	109,632
Charges for Services	11,294	239,387	0	0	250,681
Fines, Licenses and Permits	6,765	1,083	0	0	7,848
Interests	59,708	0	5,954	763	66,425
Miscellaneous	16,763	82,713	162,204	0	261,680
Total Cash Receipts	<u>334,867</u>	<u>1,830,752</u>	<u>168,158</u>	<u>132,878</u>	<u>2,466,655</u>
Cash Disbursements:					
Current:					
Security of Person and Property	0	801,506	0	0	801,506
Leisure Time Activities	49,928	0	0	0	49,928
Community Environment	60,217	0	0	0	60,217
Transportation	0	103,925	0	0	103,925
General Government	164,621	232,634	0	0	397,255
Capital Outlay	94,295	122,730	0	225,235	442,260
Debt Service:					
Principal	297,000	1,253,476	75,000	1,058,453	2,683,929
Interest	53,288	36,564	92,740	44,395	226,987
Total Cash Disbursements	<u>719,349</u>	<u>2,550,835</u>	<u>167,740</u>	<u>1,328,083</u>	<u>4,766,007</u>
Total Receipts Over/(Under) Disbursements	<u>(384,482)</u>	<u>(720,083)</u>	<u>418</u>	<u>(1,195,205)</u>	<u>(2,299,352)</u>
Other Financing Sources/(Uses):					
Sale of Notes	207,000	1,183,476	0	950,000	2,340,476
Sale of Fixed Assets	5,705	400	0	0	6,105
Transfers-in	489,599	279,882	0	169,063	938,544
Transfers-out	(299,186)	(599,038)	0	0	(898,224)
Other Sources	12,440	12,768	0	0	25,208
Other Uses	(30)	(8,225)	0	0	(8,255)
Total Other Financing Sources/(Uses)	<u>415,528</u>	<u>869,263</u>	<u>0</u>	<u>1,119,063</u>	<u>2,403,854</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	31,046	149,180	418	(76,142)	104,502
Fund Cash Balances, January 1, 2001	<u>557,332</u>	<u>257,567</u>	<u>159,566</u>	<u>113,339</u>	<u>1,087,804</u>
Fund Cash Balances, December 31, 2001	<u>588,378</u>	<u>406,747</u>	<u>159,984</u>	<u>37,197</u>	<u>1,192,306</u>
Reserve for Encumbrances, December 31, 2001	\$ 58,170	\$ 81,452	\$ 0	\$ 19,304	\$ 158,926

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 AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	PROPRIETARY FUND TYPE Enterprise
Operating Revenues:	
Changes for Services	\$ 1,063,216
Miscellaneous	3,680
Total Operating Revenues	1,066,896
Operating Expenses:	
Personal Services	389,883
Travel Transportation	2,280
Contractual Services	413,958
Supplies and Materials	47,661
Capital Outlay	208,574
Total Operating Expenses	1,062,356
Operating Income (Loss)	4,540
Non-Operating Revenues (Expenses)	
Proceeds from sale of public debt:	
Sale of Notes	1,175,000
Other non-operating revenues	6,716
Debt Service:	
Principal	(1,130,000)
Interest	(77,350)
Other Non-Operating Expenses	(200)
Total Non-Operating Revenues (Expenses)	(25,834)
Excess of Revenues Over/(Under) Expenses Before Interfund Transfers	(21,294)
Transfers-Out	(40,321)
Net Revenues Over/(Under) Expenses	(61,615)
Fund Balances, January 1, 2001	487,374
Fund Balances, December 31, 2001	425,759
Reserve for Encumbrances, December 31, 2001	\$ 63,110

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, 2002 AND 2001**

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. 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, 2002 and 2001 the CIC had no financial activity and should be considered an advisory committee to the Village. Information can be obtained by contacting E. Karen Grimmett, Finance Director, Village of New Lebanon, 198 Clayton Rd, New Lebanon Ohio, 45887.

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.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

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.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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.

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.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 2002 and 2001 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. 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:

	2002	2001
Demand Deposits	\$ 446,559	\$ 514,785
Certificates	118,273	117,704
Investments	<u>851,993</u>	<u>985,576</u>
Total deposits and investments	<u>\$1,416,825</u>	<u>\$1,618,065</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 YEAR ENDED DECEMBER 31, 2002 AND 2001**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002 and 2001 was as follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 991,117	\$ 991,117	\$ 0
Special Revenue	3,337,894	3,337,894	0
Debt Service	163,894	163,894	0
Capital Projects	1,063,862	1,063,862	0
Enterprise Funds	2,243,846	2,243,846	0
Total	<u>\$ 7,800,613</u>	<u>\$ 7,800,613</u>	<u>\$ 0</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,281,751	\$ 1,110,793	\$ 170,958
Special Revenue	3,556,691	3,459,210	97,481
Debt Service	166,284	166,284	0
Capital Projects	1,090,338	1,089,665	673
Enterprise Funds	2,473,527	2,370,773	102,754
Total	<u>\$ 8,568,591</u>	<u>\$ 8,196,725</u>	<u>\$ 371,866</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,049,626	\$ 1,049,611	\$ 15
Special Revenue	3,307,262	3,307,278	(16)
Debt Service	168,158	168,158	0
Capital Projects	1,251,941	1,251,941	0
Enterprise Funds	2,248,613	2,248,613	0
Total	<u>\$ 8,025,600</u>	<u>\$ 8,025,601</u>	<u>\$ (1)</u>

2001 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,230,397	\$ 1,076,735	\$ 153,662
Special Revenue	3,415,244	3,239,550	175,694
Debt Service	167,740	167,740	0
Capital Projects	1,347,405	1,347,388	17
Enterprise Funds	2,443,865	2,373,337	70,528
Total	<u>\$ 8,604,651</u>	<u>\$ 8,204,750</u>	<u>\$ 399,901</u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 68,768	8.47%
General Obligation Notes	3,431,360	2.225 to 5.20%
General Revenue Bonds	<u>1,650,000</u>	4.25%
	<u>\$5,150,128</u>	

The Ohio Water Development Authority loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Projection Agency. The OWDA has approved loans up to \$620,608 in loans to the Village for this project. The loans principal and interest will be repaid in semiannual installments over a 15-year period. The scheduled payment will be adjusted to reflect any revisions in amount actually borrowed.

The Village issued County Court Facility Revenue Bonds, Series 1998, in 1998 for the cost of constructing and furnishing a building for uses as a court building by Montgomery County District Court I. Interest on the Series 1998 bonds is payable on June 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 Services Charges on the Series 1998 bonds when due.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

5. DEBT (Continued)

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

Year Ending December 31	OWDA Loan	General Obligation Notes	General Revenue Bonds
2003	74,599	3,326,218	153,204
2004	0	26,558	150,016
2005	0	25,786	151,829
2006	0	25,015	148,389
2007	0	24,243	149,869
Subsequent	<u>0</u>	<u>124,194</u>	<u>1,656,574</u>
Total	<u>\$ 74,599</u>	<u>\$3,552,014</u>	<u>\$2,409,881</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PFDPF members contributed 10% of their gross wages. The Village contributed an amount equal to 19.5% of their gross wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability
- Auto liability and auto physical damage
- Property coverage
- Inland marine coverage
- Law enforcement liability
- Public officials liability

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

8. LOCAL INCOME TAX

This locally levied tax of 1.75% 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.

9. CONTINGENT LIABILITY

LITIGATION

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

10. FUND RECLASSIFICATIONS

Beginning January 1, 2001, the Village reclassified the Area One Court Building Fund from Capital Projects Fund to a Debt Service Fund to reflect the nature of the fund's activity. This reclassification resulted in the following changes in fund cash balances:

	Debt Service Fund	Capital Projects Fund
Fund cash balance, December 31, 2000	\$ 0	\$272,905
Reclassification of fund	<u>159,566</u>	<u>(159,566)</u>
Fund cash balance, January 1, 2001	<u>\$159,566</u>	<u>\$113,339</u>

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

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the Village of New Lebanon, Montgomery County (the Village), as of and for the years ended December 2002 and 2001, and have issued our report thereon dated June 19, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated June 19, 2003.

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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements 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 operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 19, 2003.

Village Council
Village of New Lebanon
Report of Independent Accountants on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 19, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JULY 31, 2003**