

VILLAGE OF NEW LEBANON
DAYTON REGION, MONTGOMERY COUNTY
REGULAR AUDIT
JANUARY 1, 2003 – DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Report of Independent Accountants* of the Village of New Lebanon, Montgomery County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2003 through December 31, 2004. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

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

BETTY MONTGOMERY
Auditor of State

July 28, 2005

**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, 2004 and 2003. 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 more fully in Note 1, the Village of New Lebanon 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of New Lebanon's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of New Lebanon, Montgomery County, as of December 31, 2004 and 2003, 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 a report dated June 19, 2005, on our consideration of the Village of New Lebanon'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. 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.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio
June 19, 2005

**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, 2004

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$ 61,948	\$ 470,413	\$ 0	\$ 0	\$ 532,361
Municipal Income Taxes	547,213	111,076	0	182,410	840,699
Intergovernmental Receipts	145,464	265,056	0	93,419	503,939
Special Assessments	0	105,196	0	0	105,196
Charges for Services	36,315	363,335	0	8,764	408,414
Fines, Licenses and Permits	3,170	50	0	0	3,220
Earnings on Investments	18,406	0	757	0	19,163
Miscellaneous	16,873	50,460	162,204	0	229,537
Total Cash Receipts	<u>829,389</u>	<u>1,365,586</u>	<u>162,961</u>	<u>284,593</u>	<u>2,642,529</u>
Cash Disbursements:					
Current:					
Security of Person and Property	0	1,135,035	0	0	1,135,035
Leisure Time Activities	63,319	0	0	0	63,319
Community Environment	36,697	0	0	0	36,697
Transportation	0	138,127	0	0	138,127
General Government	147,853	206,723	0	0	354,576
Capital Outlay	18,670	134,478	0	482,892	636,040
Debt Service:					
Principal	187,360	1,037,000	85,000	1,147,000	2,456,360
Interest	10,171	11,947	77,021	15,000	114,139
Total Cash Disbursements	<u>464,070</u>	<u>2,663,310</u>	<u>162,021</u>	<u>1,644,892</u>	<u>4,934,293</u>
Total Receipts Over/(Under) Disbursements	<u>365,319</u>	<u>(1,297,724)</u>	<u>940</u>	<u>(1,360,299)</u>	<u>(2,291,764)</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	116,360	943,000	0	1,351,297	2,410,657
Sale of Fixed Assets	528	0	0	0	528
Transfers-in	0	340,516	0	82,607	423,123
Transfers-out	(423,123)	0	0	0	(423,123)
Other Sources	18,700	28,791	0	0	47,491
Other Uses	(75)	(11,600)	0	0	(11,675)
Total Other Financing Receipts/(Disbursements)	<u>(287,610)</u>	<u>1,300,707</u>	<u>0</u>	<u>1,433,904</u>	<u>2,447,001</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>77,709</u>	<u>2,983</u>	<u>940</u>	<u>73,605</u>	<u>155,237</u>
Fund Cash Balances, January 1, 2004	<u>605,949</u>	<u>395,796</u>	<u>153,471</u>	<u>26,520</u>	<u>1,181,736</u>
Fund Cash Balances, December 31, 2004	<u>683,658</u>	<u>398,779</u>	<u>154,411</u>	<u>100,125</u>	<u>1,336,973</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 10,370</u>	<u>\$ 56,561</u>	<u>\$ 0</u>	<u>\$ 17,933</u>	<u>\$ 84,864</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, 2004

	PROPRIETARY FUND TYPE <u>Enterprise</u>
Operating Cash Receipts:	
Changes for Services	\$ 1,097,707
Miscellaneous	1,423
Total Operating Cash Receipts	<u>1,099,130</u>
Operating Cash Disbursements:	
Personal Services	356,880
Travel Transportation	861
Contractual Services	411,994
Supplies and Materials	54,939
Capital Outlay	57,734
Total Operating Cash Disbursements	<u>882,408</u>
Operating Income (Loss)	<u>216,722</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental Receipts	23,171
Sale of Notes	625,000
Miscellaneous	3,910
Debt Service:	
Principal	(716,482)
Interest	(12,331)
Other Financing Sources	10,733
Other Financing Uses	(608)
Total Non-Operating Cash Receipts	<u>(66,607)</u>
Excess of Revenues Over/(Under) Expenses before Interfund Transfers	150,115
Transfers Out	<u>0</u>
Net Receipts Over/(Under) Disbursements	150,115
Fund Cash Balances, January 1, 2004	<u>466,963</u>
Fund Cash Balances, December 31, 2004	<u>617,078</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 74,735</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, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$ 61,997	\$ 472,931	\$ 0	\$ 0	\$ 534,928
Municipal Income Taxes	489,086	111,201	0	163,029	763,316
Intergovernmental Receipts	248,002	253,800	0	20,472	522,274
Special Assessments	0	116,931	0	0	116,931
Charges for Services	38,872	356,614	0	0	395,486
Fines, Licenses and Permits	2,980	250	0	0	3,230
Earnings on Investments	13,470	0	295	0	13,765
Miscellaneous	15,955	72,535	162,204	0	250,694
Total Cash Receipts	<u>870,362</u>	<u>1,384,262</u>	<u>162,499</u>	<u>183,501</u>	<u>2,600,624</u>
Cash Disbursements:					
Current:					
Security of Person and Property	0	1,023,225	0	0	1,023,225
Leisure Time Activities	55,730	0	0	0	55,730
Community Environment	34,057	0	0	0	34,057
Transportation	0	165,661	0	0	165,661
General Government	154,431	206,000	0	0	360,431
Capital Outlay	188,570	122,762	0	299,136	610,468
Debt Service:					
Principal	132,000	1,123,000	85,000	1,106,768	2,446,768
Interest	18,359	15,283	81,622	5,831	121,095
Total Cash Disbursements	<u>583,147</u>	<u>2,655,931</u>	<u>166,622</u>	<u>1,411,735</u>	<u>4,817,435</u>
Total Receipts Over/(Under) Disbursements	<u>287,215</u>	<u>(1,271,669)</u>	<u>(4,123)</u>	<u>(1,228,234)</u>	<u>(2,216,811)</u>
Other Financing Sources/(Uses):					
Sale of Notes	66,000	1,032,000	0	1,201,545	2,299,545
Sale of Fixed Assets	7,972	0	0	0	7,972
Transfers-in	0	287,168	0	20,000	307,168
Transfers-out	(307,168)	0	0	0	(307,168)
Other Sources	16,435	24,407	0	0	40,842
Other Uses	0	(8,149)	0	0	(8,149)
Total Other Financing Sources/(Uses)	<u>(216,761)</u>	<u>1,335,426</u>	<u>0</u>	<u>1,221,545</u>	<u>2,340,210</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	70,454	63,757	(4,123)	(6,689)	123,399
Fund Cash Balances, January 1, 2003	<u>535,495</u>	<u>332,039</u>	<u>157,594</u>	<u>33,209</u>	<u>1,058,337</u>
Fund Cash Balances, December 31, 2003	<u>605,949</u>	<u>395,796</u>	<u>153,471</u>	<u>26,520</u>	<u>1,181,736</u>
Reserve for Encumbrances, December 31, 2003	<u>\$ 24,641</u>	<u>\$ 70,677</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,318</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, 2003

	PROPRIETARY FUND TYPE Enterprise
Operating Revenues:	
Changes for Services	\$ 1,088,549
Miscellaneous	3,910
Total Operating Revenues	1,092,459
Operating Expenses:	
Personal Services	380,173
Travel Transportation	843
Contractual Services	421,034
Supplies and Materials	44,426
Capital Outlay	47,478
Total Operating Expenses	893,954
Operating Income (Loss)	198,505
Non-Operating Revenues (Expenses)	
Intergovernmental Receipts	5,809
Sale of Notes	880,000
Debt Service:	
Principal	(937,000)
Interest	(48,649)
Other Financing Sources	10,295
Other Financing Uses	(485)
Total Non-Operating Revenues (Expenses)	(90,030)
Excess of Revenues Over/(Under) Expenses before Interfund Transfers	108,475
Transfers Out	0
Net Receipts Over/(Under) Disbursements	108,475
Fund Cash Balances, January 1, 2003	358,488
Fund Cash Balances, December 31, 2003	466,963
Reserve for Encumbrances, December 31, 2003	\$ 50,262

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, 2004 AND 2003**

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, 2004 and 2003 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, 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, 2004 AND 2003**

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, 2004 AND 2003**

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 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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:

	2004	2003
Demand Deposits	\$ 683,689	\$ 667,890
Certificates	375,640	371,822
Investments	<u>894,722</u>	<u>608,987</u>
Total deposits and investments	<u>\$1,954,051</u>	<u>\$1,648,699</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, 2004 AND 2003

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 and 2003 was as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 964,977	\$ 964,977	\$ 0
Special Revenue	2,677,893	2,677,893	0
Debt Service	162,962	162,961	1
Capital Projects	1,718,495	1,718,497	(2)
Enterprise Funds	1,761,944	1,761,944	0
Total	<u>\$ 7,286,271</u>	<u>\$ 7,286,272</u>	<u>\$ (1)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,034,666	\$ 897,638	\$ 137,028
Special Revenue	2,892,735	2,731,471	161,264
Debt Service	162,067	162,021	46
Capital Projects	1,737,830	1,662,825	75,005
Enterprise Funds	1,792,888	1,686,564	106,324
Total	<u>\$ 7,620,186</u>	<u>\$ 7,140,519</u>	<u>\$ 479,667</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,210,768	\$ 960,769	\$ 249,999
Special Revenue	2,727,837	2,727,837	0
Debt Service	162,499	162,499	0
Capital Projects	1,405,046	1,405,046	0
Enterprise Funds	1,988,563	1,988,563	0
Total	<u>\$ 7,494,713</u>	<u>\$ 7,244,714</u>	<u>\$ 249,999</u>

2003 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,319,918	\$ 914,956	\$ 404,962
Special Revenue	2,798,538	2,734,757	63,781
Debt Service	166,681	166,622	59
Capital Projects	1,411,737	1,411,735	2
Enterprise Funds	1,996,114	1,930,350	65,764
Total	<u>\$ 7,692,988</u>	<u>\$ 7,158,420</u>	<u>\$ 534,568</u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works	\$ 589,359	0.0%
General Obligation Notes	2,719,360	1.55 to 5.20%
General Revenue Bonds	<u>1,500,000</u>	4.25%
	<u>\$4,808,719</u>	

The Ohio Public Works loan relates to a wastewater treatment plant upgrades. The OPWC has issued two loans in the amounts of \$256,545 for phase I and \$371,296 for phase II. The Phase I loan principal will be repaid in semiannual installments over a 10-year period. The Phase II loan principal will be repaid in semiannual installments over a 20-year period. The loans bear a zero percent interest rate.

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, 2004 AND 2003**

5. DEBT (Continued)

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

Year Ending December 31	OPWC Loan	General Obligation Notes	General Revenue Bonds
2005	22,109	2,731,272	151,829
2006	44,200	12,080	148,389
2007	44,200	16,560	149,869
2008	44,200	15,780	151,128
2009	44,200	0	152,079
Subsequent	<u>390,450</u>	<u>0</u>	<u>1,413,367</u>
Total	<u>\$589,359</u>	<u>\$2,775,692</u>	<u>\$2,106,661</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 2004 and 2003, PFDPF members contributed 10% of their gross wages. The Village contributed an amount equal to 19.5% for police and 24% for fire personnel, 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, 2004.

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, 2004 AND 2003**

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.

9. CONTINGENT LIABILITY

LITIGATION

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

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

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of New Lebanon'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 of New Lebanon in a separate letter dated June 19, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of New Lebanon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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, 2005



**Auditor of State
Betty Montgomery**

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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
AUGUST 9, 2005**