



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, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position or cash flows thereof for the year 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, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of New Lebanon adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013 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

October 18, 2013

**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, 2012**

	<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	\$61,090	\$535,356			\$596,446
Municipal Income Tax		702,405			702,405
Intergovernmental	224,464	291,453		\$145,077	660,994
Special Assessments	515	54,842			55,357
Charges for Services	48,987	475,658			524,645
Fines, Licenses and Permits	2,606	75			2,681
Earnings on Investments	5,383	265			5,648
Miscellaneous	16,281	39,001	\$162,204		217,486
Total Cash Receipts	<u>359,326</u>	<u>2,099,055</u>	<u>162,204</u>	<u>145,077</u>	<u>2,765,662</u>
Cash Disbursements:					
Current:					
Security of Persons and Property		1,295,083			1,295,083
Leisure Time Activities	75,380				75,380
Community Environment	31,564				31,564
Transportation		123,065			123,065
General Government	137,787	161,322			299,109
Capital Outlay	8,959	16,252		332,759	357,970
Debt Service:					
Principal Retirement	222,500	272,500	105,000		600,000
Interest and Fiscal Charges	4,759	6,141	43,259		54,159
Total Cash Disbursements	<u>480,949</u>	<u>1,874,363</u>	<u>148,259</u>	<u>332,759</u>	<u>2,836,330</u>
Excess of Receipts Over (Under) Disbursements	<u>(121,623)</u>	<u>224,692</u>	<u>13,945</u>	<u>(187,682)</u>	<u>(70,668)</u>
Other Financing Receipts (Disbursements):					
Sale of Notes	100,000	60,000			160,000
Loan Proceeds				83,841	
Transfers In	437,038	430,662		196,397	1,064,097
Transfers Out	(430,662)	(582,717)			(1,013,379)
Other Financing Sources	1,231	19,381			20,612
Other Financing Uses	(8,781)	(64,733)			(73,514)
Total Other Financing Receipts (Disbursements)	<u>98,826</u>	<u>(137,407)</u>		<u>280,238</u>	<u>157,816</u>
Net Change in Fund Cash Balances	(22,797)	87,285	13,945	92,556	170,989
Fund Cash Balances, January 1	<u>972,224</u>	<u>839,566</u>	<u>197,532</u>	<u>266,912</u>	<u>2,276,234</u>
Fund Cash Balances, December 31:					
Non-spendable					
Restricted	9,791	882,733	211,477	359,468	1,463,469
Committed		44,118			44,118
Assigned					
Unassigned (Deficit)	939,636				939,636
Fund Cash Balances, December 31	<u>\$949,427</u>	<u>\$926,851</u>	<u>\$211,477</u>	<u>\$359,468</u>	<u>\$2,447,223</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, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,209,170
Miscellaneous	6,256
Total Operating Cash Receipts	1,215,426
Operating Cash Disbursements:	
Personal Services	254,865
Employee Fringe Benefits	96,358
Contractual Services	498,049
Supplies and Materials	53,464
Claims	453
Total Operating Cash Disbursements	903,189
Operating Income (Loss)	312,237
Non-Operating Receipts (Disbursements):	
Sale of Notes	325,000
Capital Outlay	(54,249)
Principal Retirement	(365,000)
Interest and Other Fiscal Charges	(7,735)
Other Financing Sources	3,389
Other Financing Uses	(45,151)
Total Non-Operating Receipts (Disbursements)	(143,746)
Income (Loss) before Transfers	168,491
Transfers Out	(50,718)
Net Change in Fund Cash Balances	117,773
Fund Cash Balances, January 1	1,152,547
Fund Cash Balances, December 31	\$1,270,320

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, 2011**

	<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	\$70,723	\$548,208			\$618,931
Municipal Income Tax		693,518			693,518
Intergovernmental	123,082	285,049		\$82,435	490,566
Special Assessments	134	53,966			54,100
Charges for Services	7,190	483,535			490,725
Fines, Licenses and Permits	3,110	6,660			9,770
Earnings on Investments	6,211	62			6,273
Miscellaneous	53,015	86,383	\$162,204		301,602
Total Cash Receipts	<u>263,465</u>	<u>2,157,381</u>	<u>162,204</u>	<u>82,435</u>	<u>2,665,485</u>
Cash Disbursements:					
Current:					
Security of Persons and Property		1,308,695		14,252	1,322,947
Leisure Time Activities	93,647	5,133			98,780
Community Environment	25,828				25,828
Transportation		127,288			127,288
General Government	146,665	164,513			311,178
Capital Outlay		16,714		691,493	708,207
Debt Service:					
Principal Retirement	262,500	347,500	100,000		710,000
Interest and Fiscal Charges	5,563	7,363	48,009		60,935
Total Cash Disbursements	<u>534,203</u>	<u>1,977,206</u>	<u>148,009</u>	<u>705,745</u>	<u>3,365,163</u>
Excess of Receipts Over (Under) Disbursements	<u>(270,738)</u>	<u>180,175</u>	<u>14,195</u>	<u>(623,310)</u>	<u>(699,678)</u>
Other Financing Receipts (Disbursements):					
Sale of Notes	222,500	272,500			495,000
Loan Proceeds				528,611	
Sale of Capital Assets	2,060	4,045			6,105
Transfers In	430,756	286,970		143,584	861,310
Transfers Out	(286,969)	(574,341)			(861,310)
Other Financing Sources	10,675	11,585			22,260
Other Financing Uses	(5,042)	(39,045)			(44,087)
Total Other Financing Receipts (Disbursements)	<u>373,980</u>	<u>(38,286)</u>		<u>672,195</u>	<u>479,278</u>
Net Change in Fund Cash Balances	103,242	141,889	14,195	48,885	308,211
Fund Cash Balances, January 1	868,982	697,677	183,337	218,027	1,968,023
Fund Cash Balances, December 31:					
Non-spendable					
Restricted	9,326	783,364	197,532	266,912	1,257,134
Committed		56,202			56,202
Assigned					
Unassigned (Deficit)	962,898				962,898
Fund Cash Balances, December 31	<u>\$972,224</u>	<u>\$839,566</u>	<u>\$197,532</u>	<u>\$266,912</u>	<u>\$2,276,234</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, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,174,505
Miscellaneous	6,781
Total Operating Cash Receipts	1,181,286
Operating Cash Disbursements:	
Personal Services	254,947
Employee Fringe Benefits	89,600
Contractual Services	487,277
Supplies and Materials	71,857
Claims	2,440
Total Operating Cash Disbursements	906,121
Operating Income (Loss)	275,165
Non-Operating Receipts (Disbursements):	
Sale of Notes	365,000
Capital Outlay	(19,470)
Principal Retirement	(405,000)
Interest and Other Fiscal Charges	(8,582)
Other Financing Sources	3,022
Other Financing Uses	(44,219)
Total Non-Operating Receipts (Disbursements)	(109,249)
Net Change in Fund Cash Balances	165,916
Fund Cash Balances, January 1	986,631
Fund Cash Balances, December 31	\$1,152,547

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, 2012 AND 2011**

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, 2012 and 2011 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

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, 2012 AND 2011
(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:

Area One Court – This fund accumulates resources for the repayment of bonds issued for the Area One 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:

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.

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:

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 payment 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 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.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

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. The Village does not have any non-spendable fund balance.

VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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. The Village does not have any assigned fund balance.

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.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	<u>Fund Balance at December 31, 2010</u>	<u>GASB 54 Change in Fund Structure</u>	<u>Adjusted Fund Balance at December 31, 2010</u>
General	\$859,776	\$9,206	\$868,982
Special Revenue	\$706,883	(\$9,206)	\$697,677

3. 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:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$2,161,935	\$1,673,748
Certificates of deposit	800,000	1,000,000
Total deposits	<u>2,961,935</u>	<u>2,673,748</u>
Cash On Hand	300	300
STAR Ohio	755,308	754,733
Total investments	<u>755,308</u>	<u>754,733</u>
Total deposits, investments, and cash on hand	<u><u>\$3,717,543</u></u>	<u><u>\$3,428,781</u></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.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

<u>2012 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 897,595	\$ 897,595	
Special Revenue	2,609,099	2,609,098	(\$1)
Debt Service	162,204	162,204	
Capital Projects	425,315	425,315	
Enterprise	1,543,816	1,543,815	(1)
Total	<u><u>\$5,638,029</u></u>	<u><u>\$5,638,027</u></u>	<u><u>(\$2)</u></u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,165,026	\$ 926,061	\$238,965
Special Revenue	2,763,914	2,547,986	215,928
Debt Service	148,259	148,259	
Capital Projects	719,806	905,846	(186,040)
Enterprise	1,740,421	1,442,296	298,125
Total	<u>\$6,537,426</u>	<u>\$5,970,448</u>	<u>\$566,978</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 929,456	\$ 929,456	
Special Revenue	2,732,483	2,732,481	(\$2)
Debt Service	162,204	162,204	
Capital Projects	754,631	754,631	
Enterprise	1,549,308	1,549,308	
Total	<u>\$6,128,082</u>	<u>\$6,128,080</u>	<u>(\$2)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,125,722	\$ 829,145	\$296,577
Special Revenue	2,951,723	2,612,036	339,687
Debt Service	148,009	148,009	
Capital Projects	1,225,521	1,087,574	137,947
Enterprise	1,652,701	1,435,384	217,317
Total	<u>\$7,103,676</u>	<u>\$6,112,148</u>	<u>\$991,528</u>

5. 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 property located within the Village.

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

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. 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 2012 and 2011, the amount of income tax collected was \$702,405 and \$693,518, 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 2012, \$437,038 was transferred to the general fund and \$145,679 was transferred to the capital projects fund. For 2011, \$430,756 was transferred to the general fund and \$143,585 was transferred to the capital projects fund.

7. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes - Fire House	\$ 60,000	2.75%
General Obligation Notes - Lawson Ave. Storm Sewer	100,000	2.25%
General Revenue Notes - Water Works	325,000	1.875%
General Revenue Bonds - Area One Court	765,000	4.90%
Ohio Public Works Commission - WWTP Phase I	25,654	0%
Ohio Public Works Commission - WWTP Phase II	232,060	0%
Ohio Public Works Commission - Main St. Phase I	165,500	0%
Ohio Public Works Commission - Main St. Phase II	328,336	0%
Ohio Public Works Commission - Main St. Phase III	489,004	0%
Ohio Public Works Commission - Main St. Phase IV	531,793	0%
Ohio Public Works Commission - Water Main Replacement	54,990	0%
Ohio Public Works Commission - Sanitary Sewer Phase 10	149,195	0%
Total	<u>\$3,226,532</u>	

The Village's debt consists of the following:

Fire House – This note was originally issued in 1994 for the construction of the Village's Fire House. The note is renewed annually.

Lawson Avenue Storm Sewer – This note was originally issued in 2002 for the improvement of the Lawson Avenue Storm Sewer. The note is renewed annually.

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. The note is renewed annually.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. DEBT (Continued)

Area One 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 monthly 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 Wastewater Treatment Plant – Phase I and Phase II OPWC loans were obtained in 2004 and 2005 for the purpose of paying for improvements to the Village sewer plant that was mandated by the Ohio Environmental Protection Agency. These loans are zero percent interest. Semi-annual payments in the amount of \$12,827, with the final payment being made in 2013 are required for Phase 1. Semi-annual payments in the amount of \$9,282, with the final payment being made in 2025 are required for Phase II.

OPWC Main Street – Phase I, Phase II, Phase III and Phase IV OPWC loans were obtained from 2009 to 2012 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.

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 Sanitary Sewer Phase 10 – This project is to rehab the sewers and manholes on several streets in the Village. The loan has been approved for \$149,195 and \$13,646 has been drawn as of December 31, 2012. The loan is zero percent interest. Semi-annual payments in the amount of \$2,487, with the final payment being made in 2042 are required.

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

<u>Year ending December 31:</u>	<u>General Obligation and Revenue Notes</u>	<u>Area One Court</u>	<u>OPWC Loans</u>
2013	\$494,989	\$148,140	\$ 107,841
2014		152,750	82,187
2015		151,750	82,187
2016		150,500	82,187
2017		149,000	82,187
2018-2022		152,250	410,935
2023-2027			364,523
2028-2032			288,905
2033-2037			269,435
2038-2042			206,145
Total	\$494,989	\$904,390	\$1,976,532

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Ohio 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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, 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 2012 and 2011, 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, 2012.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

10. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The constraints placed on fund balance for the governmental funds for 2012 and 2011 are presented below:

<u>2012 Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Restricted for:					
Road Maintenance and Improvements	\$9,791	\$134,232		\$5,217	\$ 149,240
Police Operations		14,253			14,253
Fire Operations		679,751			679,751
Drug and Alcohol Education and Enforcement		86			86
Street Lighting		10,637			10,637
Debt Service			\$211,477		211,477
OPWC Projects				20,553	20,553
Capital Projects		43,774		333,698	377,472
Total Restricted	<u>9,791</u>	<u>882,733</u>	<u>211,477</u>	<u>359,468</u>	<u>1,463,469</u>
Committed to:					
Income Tax		869			869
Parks and Recreation		5,367			5,367
Area One Court		37,882			37,882
Total Committed		<u>44,118</u>			<u>44,118</u>
Unassigned (Deficit)	<u>939,636</u>				<u>939,636</u>
Total Fund Balances	<u>\$949,427</u>	<u>\$926,851</u>	<u>\$211,477</u>	<u>\$359,468</u>	<u>\$2,447,223</u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. FUND BALANCES (Continued)

<u>2011 Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Restricted for:					
Road Maintenance and Improvements	\$ 9,326	\$179,909			\$ 189,235
Police Operations		13,930			13,930
Fire Operations		577,606			577,606
Drug and Alcohol Education and Enforcement		11			11
Street Lighting		11,908			11,908
Debt Service			\$197,532		197,532
Capital Projects				\$266,912	266,912
Total Restricted	<u>9,326</u>	<u>783,364</u>	<u>197,532</u>	<u>266,912</u>	<u>1,257,134</u>
Committed to:					
Income Tax		2,881			2,881
Parks and Recreation		5,167			5,167
Area One Court		48,154			48,154
Total Committed		<u>56,202</u>			<u>56,202</u>
Unassigned (Deficit)	<u>962,898</u>				<u>962,898</u>
Total Fund Balances	<u>\$972,224</u>	<u>\$839,566</u>	<u>\$197,532</u>	<u>266,912</u>	<u>\$2,276,234</u>

11. 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.



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, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 18, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and the Village adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2012-003 described in the accompanying schedule of findings to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 and 2012-002.

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.



Dave Yost
Auditor of State

Columbus, Ohio

October 18, 2013

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

FINDING FOR RECOVERY REPAID UNDER AUDIT

The Village identified various individual income taxpayer accounts over the period of 2009 through 2012 in which cash payments were made and the accounts were not credited for the full amount paid by the taxpayer. The former Income Tax Clerk, Anita Volk, was in charge of collecting tax payments and crediting the payments to the proper taxpayer accounts. It was determined that taxpayers would receive a receipt showing that they paid their balance due in full. A note would then be made on the Village copy of the receipt, which indicated a lesser amount was paid and posted to the client account. The Village became aware of this issue in early 2013. As a result, an investigation was performed by the Village. The Village identified all such incidents and credited the proper amounts to the taxpayer accounts. It was determined that the amount of money not deposited was \$2,937.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but unaccounted is hereby issued against the Village's former Income Tax Clerk, Anita Volk, and in favor of the Village of New Lebanon's Income Tax Fund, in the amount of \$2,937.

On September 4, 2013 Anita Volk paid restitution to the Village in the amount of \$3,751.

FINDING NUMBER 2012-002

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. As of December 31, 2012, expenditures (actual expenditures plus year-end encumbrances) in the Village's construction project fund (a capital projects fund) exceeded appropriations. The approved appropriations at December 31, 2012 were \$102,998; however, actual expenditures plus year-end encumbrances totaled \$509,190, which is a variance of \$406,192. In total, all capital project funds expenditures plus encumbrances exceeded all capital project funds appropriations by \$186,040.

Failure to ensure that expenditures plus encumbrances do not exceed appropriations could lead to a deficit spending situation.

The Village should develop and implement procedures to ensure that expenditures plus encumbrances do not exceed appropriations for any funds.

FINDING NUMBER 2012-003

MATERIAL WEAKNESS

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed and performing analytical procedures to determine the reasonableness of financial data.

The Village lacked management oversight in the posting of financial activity as illustrated by the following conditions:

- Franchise fee receipts in the amount of \$36,947 (for 2012) and \$36,253 (for 2011) were misclassified as charges for services and miscellaneous revenue, respectively, instead of fines, licenses, and permit revenue. These errors were not adjusted on the financial statements.
- OPWC loan proceeds were incorrectly recorded as miscellaneous revenue in the amount of \$5,554 and \$3,050 in the general fund and special revenue fund, respectively, in 2011. These errors were not adjusted on the financial statements. OPWC loan proceeds were incorrectly recorded as intergovernmental revenue in the amount of \$528,611 and \$83,841 in the capital projects fund for 2011 and 2012, respectively. These errors were adjusted on the financial statements.
- Electric/gas reimbursement, tangible personal property tax reimbursement, estate tax, cigarette tax, and liquor permits were all posted incorrectly as taxes revenue in 2011. These are intergovernmental revenue sources. The error amounts were \$6,621 in the general fund and \$6,881 in the special revenue fund. These errors were not adjusted on the financial statements.
- OPWC debt principal payments in the amount of \$52,278 (for 2012) and \$21,896 (for 2011) were incorrectly classified as other financing uses in the special revenue fund. Additionally, OPWC debt principal payment in the amount of \$45,151 (for 2012) and \$44,219 (for 2011) were incorrectly classified as other financing uses in the enterprise fund. These errors were not adjusted on the financial statements.
- Fire protection service contractual revenue received from two local townships was recorded incorrectly as intergovernmental revenue in the special revenue fund. This type of revenue should be recorded as charges for services. The error amounts were \$247,899 and \$255,031 in 2012 and 2011, respectively. These errors were adjusted on the financial statements.

Failure to properly record financial transactions to the proper account code could lead to inaccurate and inconsistent financial statements, and result in financial statement adjustments.

The Village should implement procedures to ensure that all financial transactions are recorded to the proper account code in the Village's accounting system.

Officials' Response:

We did not receive a response to the findings noted above.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 5705.41(D) – Prior Certification	No	Partially corrected - Repeated as management letter citation
2010-002	OAC 117-2 – Village Books and Records (Financial Statement Errors)	No	Not corrected – Repeated as Finding Number 2012-003

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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
NOVEMBER 21, 2013**