



Dave Yost • Auditor of State

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2016.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary Fund Types – For the Year Ended December 31, 2016.....	4
Notes to the Financial Statements – For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2015.....	15
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary Fund Types – For the Year Ended December 31, 2015.....	16
Notes to the Financial Statements – For the Year Ended December 31, 2015	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Schedule of Findings.....	29

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of New Lebanon, Montgomery County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of New Lebanon, Montgomery County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, 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

March 27, 2018

**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, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$55,884	\$719,209			\$775,093
Municipal Income Tax	676,980			\$180,981	857,961
Intergovernmental	142,274	285,972		171,103	599,349
Special Assessments		61,469			61,469
Charges for Services	28,489	412,564			441,053
Fines, Licenses and Permits	31,405	433			31,838
Earnings on Investments	13,167	606			13,773
Rentals			\$162,205		162,205
Miscellaneous	53,471	129,774			183,245
<i>Total Cash Receipts</i>	<u>1,001,670</u>	<u>1,610,027</u>	<u>162,205</u>	<u>352,084</u>	<u>3,125,986</u>
Cash Disbursements					
Current:					
Security of Persons and Property		1,241,692			1,241,692
Leisure Time Activities	124,008	665			124,673
Community Environment	34,946				34,946
Transportation		216,995			216,995
General Government	393,596	125,298			518,894
Capital Outlay	11,082	204,708		801,321	1,017,111
Debt Service:					
Principal Retirement			130,000		130,000
Interest and Fiscal Charges			20,500		20,500
<i>Total Cash Disbursements</i>	<u>563,632</u>	<u>1,789,358</u>	<u>150,500</u>	<u>801,321</u>	<u>3,304,811</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>438,038</u>	<u>(179,331)</u>	<u>11,705</u>	<u>(449,237)</u>	<u>(178,825)</u>
Other Financing Receipts (Disbursements)					
OPWC Loan Proceeds				163,392	163,392
Sale of Capital Assets	25				25
Transfer In		270,353		31,345	301,698
Transfer Out	(301,698)				(301,698)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(301,673)</u>	<u>270,353</u>		<u>194,737</u>	<u>163,417</u>
<i>Net Change in Fund Cash Balances</i>	136,365	91,022	11,705	(254,500)	(15,408)
<i>Fund Cash Balances, January 1</i>	<u>1,180,012</u>	<u>1,320,026</u>	<u>245,450</u>	<u>446,478</u>	<u>3,191,966</u>
Fund Cash Balances, December 31					
Restricted		1,313,169	257,155	191,978	1,762,302
Committed		97,879			97,879
Assigned	473,223				473,223
Unassigned (Deficit)	843,154				843,154
<i>Fund Cash Balances, December 31</i>	<u>\$1,316,377</u>	<u>\$1,411,048</u>	<u>\$257,155</u>	<u>\$191,978</u>	<u>\$3,176,558</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, 2016**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$1,195,688
Miscellaneous	<u>18,122</u>
<i>Total Operating Cash Receipts</i>	<u>1,213,810</u>
Operating Cash Disbursements	
Personal Services	302,472
Employee Fringe Benefits	111,116
Contractual Services	509,962
Supplies and Materials	62,064
Other	<u>1,249</u>
<i>Total Operating Cash Disbursements</i>	<u>986,863</u>
<i>Operating Income</i>	<u>226,947</u>
Non-Operating Receipts (Disbursements)	
Sale of Notes	105,079
Capital Outlay	(172,952)
Principal Retirement	(231,136)
Interest and Other Fiscal Charges	<u>(3,578)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(302,587)</u>
<i>Net Change in Fund Cash Balances</i>	(75,640)
<i>Fund Cash Balances, January 1</i>	<u>1,525,018</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,449,378</u></u>

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

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of New Lebanon (the Village), Montgomery County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council and Mayor directs the Village. The Village provides water, sewer and trash utilities, park operations, police and fire/EMS services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 fire levy fund accounts for and reports the receipt of property taxes and charges for service restricted for the purpose of providing fire and emergency services to Village residents and surrounding communities.

Police Levy Fund The police levy fund accounts for and reports the receipt of property taxes for the purpose of providing police protection services.

Debt Service Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Montgomery County Municipal Court Fund The Montgomery County municipal court fund accounts for and reports the receipt of rent payments and interest for the purpose of repaying bonds issued for the construction of the Montgomery County Municipal Court.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

Construction Projects Fund The construction projects fund accounts for and reports the receipt of OPWC loan proceeds and general fund transfers for the purpose of completing street and highway projects.

Capital Improvements Fund The capital improvements fund accounts for and reports the receipt of municipal taxes for the purpose of purchasing large equipment, vehicles and buildings for Village use.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Garbage/Trash Fund The garbage/trash fund accounts for the provision of trash pickup services to the residents and commercial users located within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary disbursements (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. Unencumbered appropriations lapse at year end.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

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. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$866,979	\$1,001,695	\$134,716
Special Revenue	2,739,023	1,880,380	(858,643)
Debt Service	162,205	162,205	0
Capital Projects	546,822	546,821	(1)
Enterprise	1,318,889	1,318,889	0
Total	\$5,633,918	\$4,909,990	(\$723,928)

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity (continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$757,117	\$871,832	(\$114,715)
Special Revenue	2,707,697	1,818,165	889,532
Debt Service	150,500	150,500	0
Capital Projects	1,796,143	1,774,818	21,325
Enterprise	1,512,046	1,476,660	35,386
Total	\$6,923,503	\$6,091,975	\$831,528

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$114,715 for the year ended December 31, 2016. The Village was in compliance with Ohio law prior to the application of audit adjustments.

Note 4 – 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:

	2016
Demand deposits	\$798,289
Certificates of deposit	800,000
STAR Ohio Plus	2,009,480
Total deposits	3,607,769
Cash on Hand	300
STAR Ohio	760,711
US Bank Muni Court	257,156
Total investments	1,017,867
Total deposits and investments	\$4,625,936

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

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes

Property Taxes

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.

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

Income Taxes

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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settled claims did not exceed insurance coverage in any of the past three years. Coverage limits have not changed significantly since last year.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans (continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes - Water Works	\$105,000	2.50%
General Obligation Bonds - Mont Co Muni Court	\$280,000	5.00%
Ohio Public Works Commission - Water Main Replacement	\$47,534	0.00%
Ohio Public Works Commission - WWTP Phase II	\$157,801	0.00%
Ohio Public Works Commission - Sanitary Sewer Rehab Phase 10	\$32,048	0.00%
Ohio Public Works Commission - Sanitary Sewer Rehab Phase 11	\$80,267	0.00%
Ohio Public Works Commission - Sanitary Sewer Rehab Phase 12	\$100,521	0.00%
Ohio Public Works Commission - Main Street Phase I	\$126,558	0.00%
Ohio Public Works Commission - Main Street Phase II	\$279,693	0.00%
Ohio Public Works Commission - Main Street Phase III	\$421,556	0.00%
Ohio Public Works Commission - Main Street Phase IV	\$459,685	0.00%
Ohio Public Works Commission - Main Street Phase V	\$463,859	0.00%
Ohio Public Works Commission - Main Street Phase VI	\$558,803	0.00%
Ohio Public Works Commission - Main Street Phase VII	\$48,517	0.00%
Ohio Public Works Commission - Fuls Road Phase I	\$186,521	0.00%
Ohio Public Works Commission - Fuls Road Phase II	196,150	0.00%
Total	<u>\$3,544,513</u>	

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

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

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

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

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (continued)

OPWC Sanitary Sewer Rehab – Phase 10, Phase 11, and Phase 12 OPWC loans were obtained in 2012, 2013 & 2015 to rehab the Village’s sanitary sewers. These loans are zero percent interest. Semi-annual payments in the amount of \$593, with the final payment being made in 2043 are required for Phase 10. Semi-annual payments in the amount of \$1,408, with the final payment being made in 2045 are required for Phase 11. Semi-annual payments in the amount of \$1,704, with the final payment being made in 2045 are required for Phase 12.

OPWC Main Street - Phase I, Phase II, Phase III, Phase IV, Phase V, Phase VI and Phase VII OPWC loans were obtained from 2009 to 2016 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. Semiannual payments in the amount of \$8,431, with the final payment being made in 2041 are required for Phase III. Semi-annual payments in the amount of \$9,013, with the final payment being made in 2042 are required for Phase IV. Semi-annual payments in the amount of \$8,238, with the final payment being made in 2044 are required for Phase V. Semi-annual payments in the amount of \$9,471, with the final payment being made in 2045 are required for Phase VI. No amortization schedule is available for Phase VII yet. No payments have been made on Phase VII as of December 31, 2016.

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

Amortization

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

Year ending December 31:	General	General Revenue	
	Revenue Notes - Water Works	Bonds - Mont Co Muni Court	OPWC Loans
2017	\$105,000	\$149,000	\$134,911
2018		152,250	134,911
2019			134,911
2020			134,911
2021			134,911
2022-2026			646,706
2027-2031			562,258
2032-2036			533,053
2037-2041			500,960
2042-2046			193,467
Total	\$105,000	\$301,250	\$3,110,999

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (continued)

The amortization schedule above does not include the loans that have not been finalized as of December 31, 2016.

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

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.

Note 11 – Subsequent Events

The Village issued \$105,000 of Waterworks System Revenue Notes for the purpose of acquiring real property for well field protection, replacing an existing well, constructing a water main and related improvements along North Clayton Road and constructing well #6 and abandoning well #2 and related purposes for the Village's Waterworks System on May 26, 2017.

The Village was awarded Ohio Public Works Commission Grant/Loans for Phase 14 of the Sanitary Sewer Rehabilitation Program in the amount of \$199,723 on July 1, 2017.

**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, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$54,115	\$700,396			\$754,511
Municipal Income Tax	619,645			\$162,950	782,595
Intergovernmental	123,138	276,756		252,709	652,603
Special Assessments	123	61,596			61,719
Charges for Services	13,785	484,036			497,821
Fines, Licenses and Permits	41,113	5,055			46,168
Earnings on Investments	3,713	178			3,891
Rentals			\$162,205		162,205
Miscellaneous	16,658	67,380			84,038
<i>Total Cash Receipts</i>	<u>872,290</u>	<u>1,595,397</u>	<u>162,205</u>	<u>415,659</u>	<u>3,045,551</u>
Cash Disbursements					
Current:					
Security of Persons and Property		1,236,920			1,236,920
Leisure Time Activities	100,291				100,291
Community Environment	38,442				38,442
Transportation		142,430		79,525	221,955
General Government	280,662	68,973		67,318	416,953
Capital Outlay	39,630	173,594		1,067,274	1,280,498
Debt Service:					
Principal Retirement		88,129	125,000		213,129
Interest and Fiscal Charges			26,750		26,750
<i>Total Cash Disbursements</i>	<u>459,025</u>	<u>1,710,046</u>	<u>151,750</u>	<u>1,214,117</u>	<u>3,534,938</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>413,265</u>	<u>(114,649)</u>	<u>10,455</u>	<u>(798,458)</u>	<u>(489,387)</u>
Other Financing Receipts (Disbursements)					
OPWC Loan Proceeds				631,096	631,096
Transfer In		247,185		27,852	275,037
Transfer Out	(275,037)				(275,037)
Other Financing Sources	5,301	35,413			40,714
Other Financing Uses	(82,431)	(6,195)			(88,626)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(352,167)</u>	<u>276,403</u>		<u>658,948</u>	<u>583,184</u>
<i>Net Change in Fund Cash Balances</i>	61,098	161,754	10,455	(139,510)	93,797
<i>Fund Cash Balances, January 1</i>	<u>1,118,914</u>	<u>1,158,272</u>	<u>234,995</u>	<u>585,988</u>	<u>3,098,169</u>
Fund Cash Balances, December 31					
Restricted	11,082	1,247,347	245,450	446,478	1,950,357
Committed		72,679			72,679
Unassigned (Deficit)	1,168,930				1,168,930
<i>Fund Cash Balances, December 31</i>	<u>\$1,180,012</u>	<u>\$1,320,026</u>	<u>\$245,450</u>	<u>\$446,478</u>	<u>\$3,191,966</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, 2015**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$1,224,965
Miscellaneous	9,499
	<hr/>
<i>Total Operating Cash Receipts</i>	<u>1,234,464</u>
Operating Cash Disbursements	
Personal Services	275,541
Employee Fringe Benefits	111,247
Contractual Services	507,719
Supplies and Materials	60,746
	<hr/>
<i>Total Operating Cash Disbursements</i>	<u>955,253</u>
<i>Operating Income</i>	<u>279,211</u>
Non-Operating Receipts (Disbursements)	
Sale of Notes	205,000
Capital Outlay	(95,011)
Principal Retirement	(268,024)
Interest and Other Fiscal Charges	(4,276)
Other Financing Sources	21,085
Other Financing Uses	(413)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(141,639)</u>
<i>Net Change in Fund Cash Balances</i>	137,572
<i>Fund Cash Balances, January 1</i>	<u>1,387,446</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,525,018</u></u>

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

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of New Lebanon (the Village), Montgomery County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council and Mayor directs the Village. The Village provides water, sewer and trash utilities, park operations, police and fire/EMS services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 property taxes and charges for service revenue, which are used to provide fire and emergency services to Village residents and surrounding communities.

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

Debt Service Funds This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund This fund receives charges for services from residents to cover water service costs.

Sewer Fund This fund receives charges for services from residents to cover sewer service costs.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund 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. Unencumbered appropriations lapse at year end.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 reappropriated.

A summary of 2015 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$745,214	\$877,591	\$132,377
Special Revenue	2,662,174	1,877,995	(784,179)
Debt Service	162,205	162,205	0
Capital Projects	1,074,607	1,074,607	0
Enterprise	1,460,550	1,460,549	(1)
Total	\$6,104,750	\$5,452,947	(\$651,803)

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3 - Budgetary Activity (continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$857,619	\$836,553	\$21,066
Special Revenue	2,854,014	1,747,072	1,106,942
Debt Service	152,507	151,750	757
Capital Projects	1,376,416	1,235,443	140,973
Enterprise	1,478,166	1,358,364	119,802
Total	\$6,718,722	\$5,329,182	\$1,389,540

Note 4 – 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:

	2015
Demand deposits	\$912,679
Certificates of deposit	800,000
STAR Ohio Plus	2,001,895
Total deposits	3,714,574
Cash on Hand	300
STAR Ohio	756,660
US Bank Muni Court	245,450
Total investments	1,002,110
Total deposits and investments	\$4,716,984

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

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settled claims did not exceed insurance coverage in any of the past three years. Coverage limits have not changed significantly since last year.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.50% of their wages from January – June 2015 and 12.25% of their wages from July – December 2015. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2015.

Social Security

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Notes - Water Works	\$205,000	1.75%
General Obligation Bonds - Mont Co Muni Court	\$410,000	4.90%
Ohio Public Works Commission - Water Main Replacement	\$49,398	0.00%
Ohio Public Works Commission - WWTP Phase II	\$176,366	0.00%
Ohio Public Works Commission - Sanitary Sewer Rehab Phase 10	\$33,235	0.00%
Ohio Public Works Commission - Sanitary Sewer Rehab Phase 11	\$83,083	0.00%
Ohio Public Works Commission - Sanitary Sewer Rehab Phase 12	\$102,225	0.00%
Ohio Public Works Commission - Main Street Phase I	\$136,294	0.00%
Ohio Public Works Commission - Main Street Phase II	\$291,853	0.00%
Ohio Public Works Commission - Main Street Phase III	\$438,418	0.00%
Ohio Public Works Commission - Main Street Phase IV	\$477,712	0.00%
Ohio Public Works Commission - Main Street Phase V	\$480,426	0.00%
Ohio Public Works Commission - Main Street Phase VI	\$453,399	0.00%
Ohio Public Works Commission - Fuls Road Phase I	\$194,292	0.00%
Ohio Public Works Commission - Fuls Road Phase II	203,156	0.00%
Total	\$3,734,857	

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

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

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

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

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Debt (continued)

OPWC Sanitary Sewer Rehab – Phase 10, 11 and 12 OPWC loans were obtained in 2012, 2013 & 2015 to rehab the Village’s sanitary sewers. These loans are zero percent interest. Semi-annual payments in the amount of \$593, with the final payment being made in 2043, are required for Phase 10. Semi-annual payments in the amount of \$1,408, with the final payment being made in 2045, are required for Phase 11. As of December 31, 2015, the Phase 12 amortization schedule was not finalized and no payments had been made.

OPWC Main Street - Phase I, Phase II, Phase III, Phase IV, Phase V and Phase VI OPWC loans were obtained from 2009 to 2015 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. Semiannual payments in the amount of \$8,431, with the final payment being made in 2041 are required for Phase III. Semi-annual payments in the amount of \$9,013, with the final payment being made in 2042 are required for Phase IV. Semi-annual payments in the amount of \$8,238, with the final payment being made in 2044 are required for Phase V. No amortization schedule is available and no payments have been made as of December 31, 2015 for Phase VI.

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

Amortization

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

Year ending December 31:	General	General Revenue	OPWC Loans
	Revenue Notes - Water Works	Bonds - Mont Co Muni Court	
2016	\$208,588	\$150,500	\$112,561
2017		149,000	112,561
2018		152,250	112,561
2019			112,561
2020			112,561
2021-2025			553,521
2026-2030			460,244
2031-2035			421,303
2036-2040			409,142
2041-2045			157,221
Total	\$208,588	\$451,750	\$2,564,236

The amortization schedule above does not include the loans that have not been finalized as of December 31, 2015.

Village of New Lebanon, Ohio
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 10 – 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 Mayor and Village Council:

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 cash balances, receipts, and disbursements by fund type of the Village of New Lebanon, Montgomery County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 27, 2018

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village presented its 2016 and 2015 financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

The Village's financial statements for 2016 and 2015 contained errors which resulted in audit adjustments and reclassifications to correctly report the financial activity during the audit period. The following errors were identified as material and have been adjusted in the accompanying financial statements:

- In 2015, the Village improperly classified \$27,852 of transfers-in as intergovernmental receipts in the Construction Capital Projects Fund.
- In 2015, the Village improperly classified \$177,697 and \$453,399 of OPWC loan proceeds as intergovernmental receipts in the Sewer Rehab Capital Projects Fund and Construction Capital Projects Fund, respectively.
- In 2015, the Village posted \$50,247 of intergovernmental receipts as other financing sources in the General Fund.
- In 2015, the Village improperly classified rental receipts of \$162,205 as miscellaneous receipts in the Debt Service Fund.
- In 2016, the Village improperly classified \$301,698 of transfers-out as general government disbursements in the General Fund.
- In 2016, the Village improperly classified \$171,103 of OPWC grant receipts as OPWC loan proceeds instead of intergovernmental receipts in the Construction Capital Projects Fund.
- In 2016, the Village improperly classified \$74,373 of intergovernmental receipts as OPWC loan proceeds in the General Fund.
- In 2016, the Village improperly classified rental receipts of \$162,205 as earnings on investment and miscellaneous receipts of \$13,518 and \$148,687, respectively, in the Debt Service Fund.
- January 1 fund cash balances of \$218, income tax receipts of \$134,036, miscellaneous receipts of \$680, general government disbursements of \$134,775, and December 31 cash balance of \$159 were reclassified to the General Fund from the Income Tax Special Revenue Fund in 2016.
- January 1 fund cash balances of \$145, income tax receipts of \$130,794 other financing sources of \$1,583, general government disbursements of \$118,064, other financing uses of \$14,240, and December 31 cash balance of \$218 were reclassified to the General Fund from the Income Tax Special Revenue Fund in 2015.

FINDING NUMBER 2016-001
(Continued)

- In 2016 and 2015 the Village posted municipal income tax receipts to the Income Tax Special Revenue Fund. The Village then posted income tax related disbursements, receipts, and other financing sources and uses to the Income Tax Special Revenue Fund and allocated the net change in fund balance to the General Fund and Capital Improvements Capital Projects Fund using the allocation percentages prescribed in the Village's income tax ordinance, via transfers. The Village should have posted municipal income tax receipts and related activity to the general fund and posted the proper percentage of municipal income tax receipts to the Capital Improvements Capital Project Fund by reducing municipal income tax receipts in the General Fund. The following misstatements were noted as a result of these errors:
 - Municipal income tax receipts were understated and transfers in were overstated by \$542,944 and \$488,851 in 2016 and 2015, respectively, in the General Fund and municipal income tax receipts and transfers out were overstated by the same amounts in the Income Tax Special Revenue Fund.
 - Municipal income tax receipts were understated and transfers in were overstated by \$180,981 and \$162,950 in 2016 and 2015, respectively, in the Capital Improvements Capital Projects Fund and municipal income tax receipts and transfers out were overstated by the same amounts in the Income Tax Special Revenue Fund.

In addition the following misclassifications were identified as immaterial and were not adjusted to the accompanying financial statements:

- In 2015, the Village improperly classified \$9,019 of OPWC loan proceeds as other financing sources in the Sewer Operating Enterprise Fund.
- In 2015, the Village posted \$5,774 of OPWC grant receipts as other financing sources in the Street Maintenance Special Revenue Fund rather than intergovernmental receipts in the Construction Capital Projects Fund.
- In 2015, the Village improperly classified \$6,808 of gas tax receipts as charges for services in the Fire (Special Revenue) Fund rather than intergovernmental receipts of \$6,297 and \$511 in the Street Maintenance (Special Revenue) and Highway Maintenance (Special Revenue) Funds, respectively.
- GASB Codification 1800.184 states, in part, encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed or assigned fund balance, as appropriate, based on the definitions and criteria in paragraphs 170 through 176. In 2015, the Village included \$20,060 of outstanding encumbrances as unassigned rather than assigned in the General Fund.
- In 2016, the Village improperly posted \$66,233 and \$21,896 of debt service: principal retirement as transportation disbursements in the Street Maintenance and Permissive Tax Special Revenue Funds, respectively.
- In 2016, the Village improperly posted \$9,471 of OPWC loan principal retirement attributed to the Construction Capital Projects Fund as transportation disbursements in the Street Maintenance Special Revenue Fund.
- In 2016, the Village improperly classified \$33,869 of receipts from the sale of assets as miscellaneous rather than other financing sources: sale of capital assets in the General Fund.
- In 2016, the Village improperly classified \$92,115 of receipts for rental income as miscellaneous in the Montgomery County Municipal Court Special Revenue Fund.

**FINDING NUMBER 2016-001
(Continued)**

The Village should use due care in preparation of the annual report. The Village should implement control procedures related to recording of Village financial activity to verify that all financial activity is recorded correctly. Additionally, the Village should utilize the Village Officer's Handbook to aid in recording financial activity. Failure to properly record financial activity could result in inaccurate financial statements, future audit adjustments, and decisions made by the Village Council based on inaccurate financial information.

Officials' Response

We did not receive a response from Officials to this finding.

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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
APRIL 19, 2018