



**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

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

We have reviewed the *Independent Auditor's Report* of the Village of New Lebanon, Montgomery County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

FINDING FOR ADJUSTMENT

Ohio Rev. Code § 5705.14(C)(1) states, in part, the unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund; provided that if such transfer is impossible by reason of the nonexistence of the fund to receive the transfer, such unexpended balance, with the approval of the court of common pleas of the county in which such division is located, may be transferred to any other fund of the subdivision.

In 2018, the Village transferred the \$120,777 unexpended balance of the Debt Service – Municipal Court Fund, a bond retirement fund, to the General Fund. The Village did not obtain approval of the Montgomery County Court of Common Pleas (the Court) to make this transfer. The Village should implement procedures to verify interfund transfers are made in accordance with provisions in the Ohio Rev. Code. Failure to do so could result in findings for adjustment in future audits.

In accordance with the foregoing facts, we hereby issue a finding for adjustment in the amount of \$120,777 against the Village's General Fund and in favor of the Village's Debt Service – Municipal Court Fund.

Members of Council
Village of New Lebanon
198 South Clayton Road
New Lebanon, OH 45345
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of New Lebanon is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

January 17, 2020

VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 30, 2019

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

To 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, as of and for the years ended December 31, 2018 and 2017.

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.

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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, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Village did not post an adjustment relating to material misstatement of the financial statements for the year ending December 31, 2018. Had this adjustment been posted by the Village, the effect would have been a decrease in the Village's General Fund of \$120,777, and an increase in the Debt Service Fund of \$120,777.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, 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 General and Debt Service Funds of the Village of New Lebanon, Montgomery County, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code §117-2-03(D) permit, described in Note 2.

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 Special Revenue, Capital Projects and Enterprise Funds of the Village of New Lebanon, Montgomery County, as of December 31, 2018 and 2017 and 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 June 30, 2019, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 56,255	\$ 960,218	\$ -	\$ -	\$ 1,016,473
Municipal Income Tax	843,015	-	-	-	843,015
Intergovernmental	138,326	375,486	-	-	513,812
Special Assessments	-	71,745	-	-	71,745
Charges for Services	6,852	413,729	-	-	420,581
Fines, Licenses and Permits	42,307	25	-	-	42,332
Earnings on Investments	60,735	3,427	2,448	-	66,610
Rentals	-	85,042	-	-	85,042
Miscellaneous	35,403	57,838	-	-	93,241
<i>Total Cash Receipts</i>	<u>1,182,893</u>	<u>1,967,510</u>	<u>2,448</u>	<u>-</u>	<u>3,152,851</u>
Cash Disbursements					
Current:					
Security of Persons and Property	-	1,903,342	-	-	1,903,342
Leisure Time Activities	111,330	8,145	-	-	119,475
Community Environment	48,538	-	-	-	48,538
Transportation	-	280,406	-	-	280,406
General Government	523,524	121,945	-	-	645,469
Capital Outlay	58,430	-	-	367,197	425,627
Debt Service:					
Principal Retirement	-	130,155	145,000	-	275,155
Interest and Fiscal Charges	-	8,973	7,250	-	16,223
<i>Total Cash Disbursements</i>	<u>741,822</u>	<u>2,452,966</u>	<u>152,250</u>	<u>367,197</u>	<u>3,714,235</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>441,071</u>	<u>(485,456)</u>	<u>(149,802)</u>	<u>(367,197)</u>	<u>(561,384)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	-	535,000	-	207,977	742,977
Transfers In	120,777	231,887	-	214,397	567,061
Transfers Out	(446,284)	-	(120,777)	-	(567,061)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(325,507)</u>	<u>766,887</u>	<u>(120,777)</u>	<u>422,374</u>	<u>742,977</u>
<i>Net Change in Fund Cash Balances</i>	115,564	281,431	(270,579)	55,177	181,593
<i>Fund Cash Balances, January 1</i>	<u>1,228,046</u>	<u>1,541,137</u>	<u>270,579</u>	<u>292,461</u>	<u>3,332,223</u>
Fund Cash Balances, December 31					
Restricted	-	1,822,568	-	9,567	1,832,135
Committed	-	-	-	338,071	338,071
Assigned	628,686	-	-	-	628,686
Unassigned	714,924	-	-	-	714,924
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,343,610</u>	<u>\$ 1,822,568</u>	<u>\$ -</u>	<u>\$ 347,638</u>	<u>\$ 3,513,816</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,376,368
Miscellaneous	22,237
	<u>1,398,605</u>
<i>Total Operating Cash Receipts</i>	<u>1,398,605</u>
Operating Cash Disbursements	
Personal Services	329,962
Employee Fringe Benefits	124,062
Contractual Services	507,193
Supplies and Materials	86,788
	<u>1,048,005</u>
<i>Total Operating Cash Disbursements</i>	<u>1,048,005</u>
<i>Operating Income/(Loss)</i>	<u>350,600</u>
Non-Operating Receipts (Disbursements)	
Sale of Capital Assets	22,500
Capital Outlay	(189,042)
Principal Retirement	(44,696)
Other Financing Uses	(313)
	<u>(211,551)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(211,551)</u>
<i>Net Change in Fund Cash Balances</i>	139,049
<i>Fund Cash Balances, January 1</i>	<u>1,404,046</u>
<i>Fund Cash Balances, December 31</i>	\$ 1,543,095

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

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of New Lebanon, Montgomery County, Ohio (the Village), 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 services, fire protection and emergency medical 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 change in fund balance (regulatory cash basis) for the 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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village as well as property taxes for the same purpose.

Fire Levy Fund The 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 bond issued for the construction of the Montgomery County Municipal Court.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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 Fund:

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.

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 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 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 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.

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 2018 budgetary activity appears in Note 4.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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

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.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (Continued)

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 – Compliance

Contrary to Ohio Law, the Village had appropriations which exceeded total estimated resources in the Police, Construction Projects, and Sewer Rehab Project Funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,824,495	\$ 1,182,893	\$ (641,602)
Special Revenue	2,734,395	2,734,397	2
Debt Service	2,448	2,448	-
Capital Projects	447,482	422,374	(25,108)
Enterprise	1,421,105	1,421,105	-
Total	\$ 6,429,925	\$ 5,763,217	\$ (666,708)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,734,408	\$ 1,195,358	\$ 539,050
Special Revenue	2,674,983	2,657,740	17,243
Debt Service	273,027	152,250	120,777
Capital Projects	1,528,322	1,118,116	410,206
Enterprise	1,336,106	1,321,590	14,516
Total	\$ 7,546,846	\$ 6,445,054	\$ 1,101,792

Note 5 – Deposits and Investments

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

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 5 – Deposits and Investments (Continued)

	<u>2018</u>
Demand deposits	\$ 701,870
Certificates of deposit	1,000,000
STAR Plus	<u>2,064,352</u>
Total deposits	3,766,222
STAR Ohio	<u>1,290,689</u>
Total investments	<u>1,290,689</u>
Total deposits and investments	<u><u>\$ 5,056,911</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 6 – 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.

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 1% 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.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 7 - 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.

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 8 - 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, 2018.

Ohio Police and Fire Pension Fund

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, 2018.

Note 9 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018, and OP&F contributed 0.5% to fund these benefits.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
CD01F WWTP Upgrades Phase II	\$ 120,671	0.00%
CD11L Main Street Phase I	107,088	0.00%
CD29M Main Street Phase II	255,372	0.00%
CD03N Main Street Phase III	387,831	0.00%
CD02O Main Street Phase IV	423,632	0.00%
CD05Q Main Street Phase V	430,727	0.00%
CD22R Main Street Phase VI	520,918	0.00%
CD08S Main Street Phase VII	669,502	0.00%
CD18P Sanitary Sewer Phase X	29,674	0.00%
CD17R Sanitary Sewer Phase XI	74,634	0.00%
CD11S Sanitary Sewer Phase XII	93,706	0.00%
CD14T Sanitary Sewer Phase XIII	168,253	0.00%
CD01U Sanitary Sewer Phase XIV	9,448	0.00%
CD02P Fuls Road Phase I	170,978	0.00%
CD03Q Fuls Road Phase II	182,140	0.00%
CD10O Water Main Replacement	43,806	0.00%
CD01T Perry Street Water Main	320,578	0.00%
CD02U Perry Street Water Main Replacement Phase II	198,529	0.00%
Fire House Construction	535,000	4.99%
Total	<u>\$ 4,742,487</u>	

The Village issued County Court Facility revenue bonds in 1998 for the cost of construction and furnishing a building for use as a court building by Montgomery County District Court One. 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 had 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. Rental payments are deposited monthly by the County and interest payments are paid semi-annually by the Village with principal paid annually. This debt was paid off in 2018.

Phase I and Phase II of the Wastewater Treatment Plant were financed through Ohio Public Works Commission (OPWC) loans. The no-interest loans were for the purpose of paying for improvements to the Village sewer plant that was mandated by the Ohio EPA. Phase I has been paid in full. Phase II matures in 2025.

Phases I-VII of the Main Street project were financed through OPWC loans. The no-interest loans were for costs related to the improvements made to Main Street including street paving, curb and sidewalk replacements, storm sewers, catch basins, etc. These loans mature between 2029 and 2048.

Phase I and Phase II of the Fuls Road project were financed through OPWC loans. The no-interest loans were for costs related to the improvements made to Fuls Road including street paving, curb, storm sewer, catch basins, etc. These loans mature in 2040 and 2044.

The Water Main Replacement project was financed through an OPWC loan. The no-interest loan was for costs related to the Farmersville-Johnsville Water Main Replacement project. The loan matures in 2042.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 10 – Debt (Continued)

The Sanitary Sewer Upgrades project was financed through OPWC loans. The no-interest loans are to rehab the sewers and manholes on certain streets in the Village. These loans mature in 2043 and 2047. Loan #CD01U project is not complete so no amortization schedule is available.

Amortization

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

Year ending	OPWC	Fire House	
December 31:	Loans	Construction	Total
2019	\$ 181,470	\$ 97,619	\$ 279,089
2020	181,470	97,619	279,089
2021	181,470	97,619	279,089
2022	181,470	97,619	279,089
2023	181,470	97,619	279,089
2024-2028	842,372	146,429	988,801
2029-2033	775,585	-	775,585
2034-2038	765,850	-	765,850
2039-2043	630,329	-	630,329
2044-2048	276,527	-	276,527
Total	<u>\$ 4,198,013</u>	<u>\$ 634,524</u>	<u>\$ 4,832,537</u>

Note 11 – 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.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 57,435	\$ 831,523	\$ -	\$ -	\$ 888,958
Municipal Income Tax	879,849	-	-	-	879,849
Intergovernmental	67,370	257,884	-	17,129	342,383
Special Assessments	-	62,826	-	5,065	67,891
Charges for Services	8,264	464,892	-	-	473,156
Fines, Licenses and Permits	38,000	2,293	-	-	40,293
Earnings on Investments	26,815	1,140	220	-	28,175
Rentals	-	79,037	162,204	-	241,241
Miscellaneous	25,998	54,213	-	-	80,211
<i>Total Cash Receipts</i>	<u>1,103,731</u>	<u>1,753,808</u>	<u>162,424</u>	<u>22,194</u>	<u>3,042,157</u>
Cash Disbursements					
Current:					
Security of Persons and Property	-	1,379,425	-	-	1,379,425
Leisure Time Activities	134,657	10,745	-	-	145,402
Community Environment	37,567	-	-	-	37,567
Transportation	-	443,836	-	-	443,836
General Government	446,148	63,492	-	-	509,640
Capital Outlay	-	-	-	1,264,309	1,264,309
Debt Service:					
Principal Retirement	-	107,070	135,000	-	242,070
Interest and Fiscal Charges	-	-	14,000	-	14,000
<i>Total Cash Disbursements</i>	<u>618,372</u>	<u>2,004,568</u>	<u>149,000</u>	<u>1,264,309</u>	<u>4,036,249</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>485,359</u>	<u>(250,760)</u>	<u>13,424</u>	<u>(1,242,115)</u>	<u>(994,092)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	-	-	-	1,149,758	1,149,758
Transfers In	-	380,849	-	192,840	573,689
Transfers Out	(573,689)	-	-	-	(573,689)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(573,689)</u>	<u>380,849</u>	<u>-</u>	<u>1,342,598</u>	<u>1,149,758</u>
<i>Net Change in Fund Cash Balances</i>	<u>(88,330)</u>	<u>130,089</u>	<u>13,424</u>	<u>100,483</u>	<u>155,666</u>
<i>Fund Cash Balances, January 1</i>	<u>1,316,376</u>	<u>1,411,048</u>	<u>257,155</u>	<u>191,978</u>	<u>3,176,557</u>
Fund Cash Balances, December 31					
Restricted	-	1,541,137	270,579	6,221	1,817,937
Committed	-	-	-	286,240	286,240
Assigned	18,224	-	-	-	18,224
Unassigned	1,209,822	-	-	-	1,209,822
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,228,046</u>	<u>\$ 1,541,137</u>	<u>\$ 270,579</u>	<u>\$ 292,461</u>	<u>\$ 3,332,223</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,251,928
Miscellaneous	20,262
	<u>1,272,190</u>
Operating Cash Disbursements	
Personal Services	441,973
Contractual Services	490,342
Supplies and Materials	96,317
	<u>1,028,632</u>
<i>Operating Income/(Loss)</i>	<u>243,558</u>
Non-Operating Receipts (Disbursements)	
Sale of Capital Assets	2,500
Capital Outlay	(155,932)
Principal Retirement	(132,840)
Interest and Fiscal Charges	(2,618)
	<u>(288,890)</u>
<i>Net Change in Fund Cash Balances</i>	(45,332)
<i>Fund Cash Balances, January 1</i>	<u>1,449,378</u>
<i>Fund Cash Balances, December 31</i>	\$ 1,404,046

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

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of New Lebanon, Montgomery County, Ohio (the Village), 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 services, fire protection and emergency medical 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 change in fund balance (regulatory cash basis) for the 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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village

Fire Levy Fund The 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
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 Fund:

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.

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 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 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 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.

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.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

A summary of 2017 budgetary activity appears in Note 4.

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.

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

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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 – Compliance

Contrary to Ohio Law, the Village had appropriations which exceeded total estimated resources in the Park Donation, Police, Construction Projects, Sewer Rehab Project, Side Walk and Curbs Funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,392,468	\$ 1,103,731	\$ (288,737)
Special Revenue	1,906,855	2,134,657	227,802
Debt Service	162,204	162,424	220
Capital Projects	1,125,996	1,364,792	238,796
Enterprise	1,254,531	1,274,690	20,159
Total	\$ 5,842,054	\$ 6,040,294	\$ 198,240

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,754,783	\$ 1,210,285	\$ 544,498
Special Revenue	2,033,196	2,025,847	7,349
Debt Service	149,000	149,000	-
Capital Projects	2,236,661	1,649,407	587,254
Enterprise	1,423,898	1,334,537	89,361
Total	\$ 7,597,538	\$ 6,369,076	\$ 1,228,462

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 – 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>2017</u>
Demand deposits	\$ 943,018
Certificates of deposit	1,000,000
STAR Plus	<u>2,024,384</u>
Total deposits	3,967,402
STAR Ohio	<u>768,867</u>
Total investments	<u>768,867</u>
Total deposits and investments	<u><u>\$ 4,736,269</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 6 – 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.

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 1% 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.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - 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 8 - 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, 2017.

Ohio Police and Fire Pension Fund

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, 2017.

Note 9 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1% during calendar year 2017, and OP&F contributes 0.5% to fund these benefits.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Area One Court Building	\$ 145,000	5.00%
CD01F WWTP Upgrades Phase II	139,236	0.00%
CD11L Main Street Phase I	116,823	0.00%
CD29M Main Street Phase II	267,533	0.00%
CD03N Main Street Phase III	404,693	0.00%
CD02O Main Street Phase IV	441,659	0.00%
CD05Q Main Street Phase V	447,293	0.00%
CD22R Main Street Phase VI	539,861	0.00%
CD08S Main Street Phase VII	692,588	0.00%
CD18P Sanitary Sewer Phase X	30,861	0.00%
CD17R Sanitary Sewer Phase XI	77,450	0.00%
CD11S Sanitary Sewer Phase XII	97,113	0.00%
CD14T Sanitary Sewer Phase XIII	174,055	0.00%
CD02P Fuls Road Phase I	178,749	0.00%
CD03Q Fuls Road Phase II	189,145	0.00%
CD10O Water Main Replacement	45,670	0.00%
CD01T Perry Street Water Main	331,632	0.00%
Total	<u>\$ 4,319,361</u>	

The Village issued County Court Facility revenue bonds in 1998 for the cost of construction and furnishing a building for use as a court building by Montgomery County District Court One. 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 had 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. Rental payments are deposited monthly by the County and interest payments are paid semi-annually by the Village with principal paid annually.

Phase I and Phase II of the Wastewater Treatment Plant were financed through Ohio Public Works Commission (OPWC) loans. The no-interest loans were for the purpose of paying for improvements to the Village sewer plant that was mandated by the Ohio EPA. Phase I has been paid in full. Phase II matures in 2025.

Phases I-VII of the Main Street project were financed through OPWC loans. The no-interest loans were for costs related to the improvements made to Main Street including street paving, curb and sidewalk replacements, storm sewers, catch basins, etc. These loans mature between 2029 and 2047.

Phase I and Phase II of the Fuls Road project were financed through OPWC loans. The no-interest loans were for costs related to the improvements made to Fuls Road including street paving, curb, storm sewer, catch basins, etc. These loans mature in 2040 and 2044.

Village of New Lebanon
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 10 – Debt (continued)

The Water Main Replacement project was financed through an OPWC loan. The no-interest loan was for costs related to the Farmersville-Johnsville Water Main Replacement project. The loan matures in 2042.

The Sanitary Sewer Upgrades project was financed through OPWC loans. The no-interest loans are to rehab the sewers and manholes on certain streets in the Village. These loans mature in 2043 and 2047.

Amortization

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

Year ending	OPWC	Area One
December 31:	Loans	Court
2018	\$ 174,852	\$ 152,250
2019	174,852	-
2020	174,852	-
2021	174,852	-
2022	174,852	-
2023-2027	827,846	-
2028-2032	752,233	-
2033-2037	732,760	-
2038-2042	653,914	-
2043-2047	333,348	-
Total	\$ 4,174,361	\$ 152,250

Note 11 – 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.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

June 30, 2019

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

To 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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 30, 2019, 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. Also, we qualified our opinion on the General and Debt Funds because the Village declined to adjust its financial statements or accounting records for an audit adjustment. This adjustment results in a material misstatement of General Fund and Debt Service Fund cash balances as of December 31, 2018.

Internal Control Over Financial Reporting

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

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

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Internal Control Over Financial Reporting

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 certain a deficiency in internal control, described in the accompanying schedule of audit findings that we consider to be a material weakness. We consider finding 2018-001 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2018-002 to 2018-004.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. The Village should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements. The Chief Financial Officer did not always accurately post receipts and disbursements to the Village's accounting system or the financial information from the system did not get reported correctly on the Annual Report filing with the Auditor of State.

The Village is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – "Fund Balance Reporting and Governmental Fund Type Definitions."

During 2018 and 2017, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Fund Balances included in subsequent appropriations were presented as Unassigned instead of Assigned in the General Fund in 2018;
- Fund Balances in the Special Revenue, Debt Service, and Capital Project Funds were presented as Unrestricted instead of Restricted for 2018;
- Loan Proceeds from the Ohio Public Works Commission (OPWC) were posted as intergovernmental revenue in 2017;
- In the Special Revenue and Debt Service Fund Rental receipts were presented as miscellaneous receipts in 2018 and 2017.
- Principal and interest payments were presented incorrectly in 2018 and 2017;

Not posting or presenting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassification entries. The financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements.

We also recommend the Chief Financial Officer refer to the Ohio Village Handbook and Auditor of State guidance to determine the proper establishment of receipt and disbursement accounts and proper posting and presentation on the financial statements. The Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

Officials' Response – For the majority of the items noted above they were correctly posted in the Village's Accounting System but not correctly presented on the financial statements created by an outside firm. The Village's Management will do a better a job a reviewing the annual report filed before it is filed on the Auditor of States Hinkle System in the future.

VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.39 states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

During 2018, the Village's appropriations for the Police, Construction Projects, and Sewer Rehab Project Funds, exceeded the estimated resources. The Village did not obtain an Amended Certificate for the additional revenue received in this fund. As a result, the amount budgeted in the accounting system did not agree to the amount on the Amended Certificate.

During 2017, the Village's appropriations for the Park Donation, Police, Construction Rehab Projects, and Sewer Rehab Project, and Side Walk and Curbs Fund, exceeded the estimated resources. The Village did not obtain an Amended Certificate for the additional revenue received in this fund. As a result, the amount budgeted in the accounting system did not agree to the amount on the Amended Certificate.

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of Village resources. We recommend that the Village monitor their budgetary activity on a monthly basis and make adjustments as required.

The Council should regularly review and amend their appropriations based on updates to their estimated resources. The Council should request an Amended Certificate if their amount of estimated receipts changes. Additionally, the Council should review the certification of the County Budget Commission to ensure that their total appropriations do not exceed estimated resources.

Officials' Response – The Village's Management will become more active in monitoring the Village's budgetary activity.

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 121.22 provides guidance on the meeting of public bodies to be open, exceptions, and notice. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection.

The Village has no official, approved minute's record of Village Council meetings available to the general public after September 9, 2018 meeting date.

The Village Council Secretary had a prolonged illness and the official minute record was not recorded by the Village. The Village Council meetings are video recorded and these recordings have been sent to a professional stenographer for transcription but those transcriptions have not been received by the Village.

With no official record of the Village Council meetings the general public is not able to educate themselves concerning Village matters. Also there is no official record for Village employee's to document approval of financial activity and Village polices.

VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-003 (Continued)

We recommend the Village establish a plan to ensure the duties of the Council Secretary are preformed when he/she is unable to perform the duties required by the position. All minutes records from the Council Meetings after the September 9, 2018 meeting date should be made available to the public as soon as possible.

Officials' Response – The person responsible for the transcription of the minutes had a prolonged illness and the transcriptions did not occur. The Village sent all audio and video records of the Council meetings to a professional transcriber in 2019. The approved minutes records for the October 16, 2018 to March 5, 2019, time period will approved by Council in August 2019, and all minutes should be to date by the end of August 2019. Minutes should be keep up to date from that point forward.

FINDING NUMBER 2018-004

Noncompliance

Ohio Rev. Code § 5705.14(C)(1) provides guidance for the transferring of the unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.

The Village transferred the unexpended balance of the Debt Service – Municipal Court Fund to the General Fund without the approval of the Montgomery County Common Pleas Court. The financial statements have not been adjusted.

We recommend the Village obtain the authority to transfer the unexpended fund balance of the Debt Service – Municipal Court Fund from the Montgomery County Common Pleas Court.

Law Director for the Village Response – It is my understanding that during the audit process for the Village of New Lebanon, a question was raised as to as the transfer of the unexpended sinking fund balance to the General Fund. I respectfully refer you to §5705.14(D) of the Ohio Revised Code wherein it indicates that the unexpended balance in any special fund may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund. All obligations with respect to the bond retirement fund and the sinking fund had been fully complied with and were terminated. The monies appropriately and properly were to be placed in the general fund of the Village.

Auditors Response – In our opinion the transfer occurred under Ohio Rev. Code § 5705.14(C)(1) which requires the approval of the Montgomery County Common Pleas Court in order to be allowable under Ohio Revised Code. The proper approval was not obtained by the Village.

VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Reporting	Not Corrected	Reissued as Finding 2018-001

OHIO AUDITOR OF STATE
KEITH FABER



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
JANUARY 30, 2020**