

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**



Dave Yost • Auditor of State

Village Council
Village of Lewisburg
112 South Commerce Street
Lewisburg, Ohio 45338

We have reviewed the *Independent Auditors' Report* of the Village of Lewisburg, Preble County, prepared by Bastin & Company, LLC, for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lewisburg is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

January 7, 2013

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**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Village Council
Village of Lewisburg, Preble County, Ohio

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010, of the Village and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
August 1, 2012

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Other Local Taxes	\$ 129,748	\$ 134,479	\$ -	\$ -	\$ 264,227
Municipal Income Tax	870,904	-	-	-	870,904
Intergovernmental	95,771	165,769	-	235,764	497,304
Charges for Services	349,943	-	-	-	349,943
Fines, Licenses and Permits	1,105	1,014	-	-	2,119
Earnings on Investments	5,065	343	-	-	5,408
Miscellaneous	29,350	16,249	-	14,210	59,809
Total Cash Receipts	1,481,886	317,854	-	249,974	2,049,714
<i>Cash Disbursements:</i>					
Current:					
General Government	272,336	7,899	-	-	280,235
Security of Person and Property	723,460	64,845	-	-	788,305
Leisure Time Activities	-	33,761	-	-	33,761
Community Environment	7,620	-	-	-	7,620
Transportation	13,481	143,664	-	-	157,145
Capital Outlay	95,384	92,019	6,158	432,489	626,050
Debt Service:					
Redemption of Principal	27,580	8,597	-	43,037	79,214
Interest and Fiscal Charges	10,909	854	-	2,066	13,829
Total Cash Disbursements	1,150,770	351,639	6,158	477,592	1,986,159
Receipts Over (Under) Disbursements	331,116	(33,785)	(6,158)	(227,618)	63,555
<i>Other Financing Receipts (Disbursements):</i>					
Sale of Notes	-	43,600	-	-	43,600
Sale of Fixed Assets	1,875	-	-	-	1,875
Transfers-In	-	-	-	234,313	234,313
Transfers-Out	(234,313)	-	-	-	(234,313)
Total Other Financing Receipts (Disbursements)	(232,438)	43,600	-	234,313	45,475
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	98,678	9,815	(6,158)	6,695	109,030
Fund Cash Balances, January 1	358,753	203,056	6,158	288,883	856,850
Fund Cash Balances, December 31					
Restricted	-	212,871	-	295,578	508,449
Unassigned	457,431	-	-	-	457,431
Fund Cash Balances, December 31	\$ 457,431	\$ 212,871	\$ -	\$ 295,578	\$ 965,880

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types
	Enterprise
<i>Operating Cash Receipts:</i>	
Charges for Services	\$ 693,318
Fines, Licenses and Permits	8,725
Total Operating Cash Receipts	702,043
<i>Operating Cash Disbursements:</i>	
Personal Services	350,061
Contractual Services	84,439
Supplies and Materials	143,016
Capital Outlay	15,526
Total Operating Cash Disbursements	593,042
Operating Income	109,001
<i>Non-Operating Cash Disbursements:</i>	
Redemption of Principal	111,648
Interest and Other Fiscal Charges	33,592
Total Non-Operating Cash Disbursements	145,240
Net Receipts Over (Under) Disbursements	(36,239)
Fund Cash Balances, January 1	289,736
Fund Cash Balances, December 31	\$ 253,497

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Other Local Taxes	\$ 150,799	\$ 117,823	\$ -	\$ -	\$ 268,622
Municipal Income Tax	730,581	-	-	-	730,581
Intergovernmental	117,675	288,159	-	-	405,834
Charges for Services	316,567	-	-	-	316,567
Fines, Licenses and Permits	1,995	304	-	-	2,299
Earnings on Investments	1,232	1,684	-	-	2,916
Miscellaneous	6,793	988	-	1,894	9,675
Total Cash Receipts	1,325,642	408,958	-	1,894	1,736,494
<i>Cash Disbursements:</i>					
<i>Current:</i>					
General Government	344,883	18,872	-	-	363,755
Security of Person and Property	733,006	60,334	-	-	793,340
Leisure Time Activities	-	41,841	-	-	41,841
Community Environment	8,811	-	-	-	8,811
Transportation	4,810	143,199	-	-	148,009
Capital Outlay	48,666	135,677	3,550	196,157	384,050
<i>Debt Service:</i>					
Redemption of Principal	26,251	8,199	-	15,699	50,149
Interest and Fiscal Charges	12,237	1,252	-	1,327	14,816
Total Cash Disbursements	1,178,664	409,374	3,550	213,183	1,804,771
Receipts Over (Under) Disbursements	146,978	(416)	(3,550)	(211,289)	(68,277)
<i>Other Financing Receipts (Disbursements):</i>					
Sale of Notes	-	-	-	26,940	26,940
Sale of Fixed Assets	6,340	-	-	-	6,340
Transfers-In	-	-	-	173,582	173,582
Transfers-Out	(173,582)	-	-	-	(173,582)
Total Other Financing Receipts (Disbursements)	(167,242)	-	-	200,522	33,280
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(20,264)	(416)	(3,550)	(10,767)	(34,997)
Fund Cash Balances, January 1	379,017	203,472	9,708	299,650	891,847
Fund Cash Balances, December 31	<u>\$ 358,753</u>	<u>\$ 203,056</u>	<u>\$ 6,158</u>	<u>\$ 288,883</u>	<u>\$ 856,850</u>

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
<i>Operating Cash Receipts:</i>	
Charges for Services	\$ 679,934
Fines, Licenses and Permits	4,518
Total Operating Cash Receipts	684,452
<i>Operating Cash Disbursements:</i>	
Personal Services	348,664
Contractual Services	67,947
Supplies and Materials	153,076
Capital Outlay	43,312
Total Operating Cash Disbursements	612,999
Operating Income	71,453
<i>Non-Operating Cash Disbursements:</i>	
Redemption of Principal	122,774
Interest and Other Fiscal Charges	53,450
Total Non-Operating Cash Disbursements	176,224
Net Receipts Over (Under) Disbursements	(104,771)
Fund Cash Balances, January 1	394,507
Fund Cash Balances, December 31	\$ 289,736

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lewisburg, Preble County, Ohio, (the Village) as a body corporate and politic. A publicly-elected, six-member Council directs the Village. The Village provides water and sewer utilities, park operations, fire services and police services. The Brown Memorial Library is a related organization (See Note 12).

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests in interest-bearing checking accounts and certificates of deposits which are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Recreation Fund - This fund receives taxes and intergovernmental receipts for providing leisure time activities to Village residents.

Fire/Ambulance Fund - This fund receives property tax and intergovernmental receipts for providing fire and ambulance services to Village residents.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Brown Library Bond Fund - This fund was used to account for debt proceeds related to the Brown Memorial Library. Funds are used to pay for capital items for the library.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Capital Improvement Project Fund - This fund receives local income tax receipts for various capital improvement projects within the Village.

New Ambulance Reserve Fund - This fund is used to accumulate funds for the purchase of a new ambulance.

Fire Truck Reserve and Trust Fund - This fund is used to accumulate funds for the purchase of a new fire truck.

5. Enterprise Funds

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

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.

Sanitation Fund - This fund receives charges for services from residents to cover sanitation service costs.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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:

	2011	2010
Demand deposits	\$ 858,625	\$ 776,847
Certificates of deposit	360,752	369,739
Total deposits	\$1,219,377	\$1,146,586

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,728,881	\$ 1,483,761	\$ (245,120)
Special Revenue	332,604	361,454	28,850
Capital Projects	350,553	484,287	133,734
Enterprise	680,631	702,043	21,412
Total	\$ 3,092,669	\$ 3,031,545	\$ (61,124)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,521,330	\$ 1,385,083	\$ 136,247
Special Revenue	535,660	351,639	184,021
Debt Service	6,158	6,158	-
Capital Projects	612,498	477,592	134,906
Enterprise	967,418	738,282	229,136
Total	\$ 3,643,064	\$ 2,958,754	\$ 684,310

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,339,428	\$ 1,331,982	\$ (7,446)
Special Revenue	381,786	408,958	27,172
Debt Service	2,955	-	(2,955)
Capital Projects	112,360	202,416	90,056
Enterprise	655,600	684,452	28,852
Total	\$ 2,492,129	\$ 2,627,808	\$ 135,679

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,712,413	\$ 1,352,246	\$ 360,167
Special Revenue	585,257	409,374	175,883
Debt Service	12,664	3,550	9,114
Capital Projects	409,062	213,183	195,879
Enterprise	1,050,107	789,223	260,884
Total	\$ 3,769,503	\$ 2,767,576	\$ 1,001,927

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

4. COMPLIANCE

- Contrary to Ohio Revised Code Section 5705.36(A)(4) the Village did not obtain an amended certificate of estimated resources when actual resources available were known to be less than estimated resources. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources. As a result, appropriations exceeded actual resources available in four funds in 2011 and three funds in 2010.
- Contrary to Ohio Rev. Code, Section 5705.41(D), 55 percent of the expenditures tested did not contain the appropriate certification for the availability of funds prior to the ordering of goods and or services.

5. PROPERTY TAX

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

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

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

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

7. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan (Main St.)	\$ 71,250	0.00%
OPWC Loan (Water Tower)	240,196	0.00%
OPWC Loan (Sludge)	296,410	0.00%
Police Administration Building Loan	197,402	5.00%
OWDA Water Treatment Plant Loan	1,177,986	2.75%
Firehouse Repair Project Note	43,600	4.25%
Total	<u>\$ 2,026,844</u>	

The Village was awarded an interest free loan in 2000 from the Ohio Public Works Commission (OPWC) in the amount of \$150,000. This loan is to be used to finance the Main Street Improvement Project. The project was completed in 2001. The Village is making semi-annual payments of \$3,750 with the final payment due January 1, 2021.

The Village was awarded an interest free loan from the Ohio Public Works Commission in the amount of \$600,490. This loan is to be used to finance a water tower system improvements project. The Village completed the project in 1999. The Village is making semi-annual payments of \$15,012 with the final payment due July 1, 2019.

The Village was awarded an interest free loan in 2004 from the Ohio Public Works Commission in the amount of \$474,256. This loan was used to finance a sludge management facilities remodel project. The Village is making semi-annual payments of \$11,856 with the final payment due January 1, 2024.

The Village obtained a loan from First Financial Bank for \$300,000, at a 5 percent interest rate, on November 2, 2007. Proceeds from the loan were used to fund a new police administration building. The Village is making semi-annual payments of \$19,244 with the final payment due in June of 2017.

In June of 2006 the Village received a loan with an interest rate of 2.75 percent from the Ohio Water Development Authority (OWDA) for water treatment plant improvements. The Village is making semi-annual payments of \$45,751 with the final payment due January 1, 2028.

The Village obtained a loan from Eaton National Bank and Trust Company for \$43,600, at a 4.25 percent interest rate, on August 24, 2011. Proceeds from the loan were used to fund a project to repair the firehouse. The loan matures on August 24, 2012, with repayment due in full on that date.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

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

Year ending December, 31:	OPWC (Main Street Project)	OPWC (Water Tower)	OPWC (Sludge Maintenance Project)	Police Administration Building	OWDA Water Treatment Plant
2012	\$ 7,500	\$ 30,024	\$ 23,713	\$ 38,488	\$ 91,502
2013	7,500	30,025	23,713	38,488	91,502
2014	7,500	30,024	23,713	38,488	91,502
2015	7,500	30,025	23,713	38,488	91,502
2016	7,500	30,025	23,713	38,488	91,502
2017-2021	33,750	90,073	118,564	38,019	457,512
2022-2026	-	-	59,281	-	457,512
2027-2028	-	-	-	-	\$ 137,254
Total	<u>\$ 71,250</u>	<u>\$ 240,196</u>	<u>\$ 296,410</u>	<u>\$ 230,459</u>	<u>\$ 1,509,788</u>

Year ending December, 31:	Firehouse Repair Project	Total
2012	\$ 45,484	\$ 236,711
2013	-	191,228
2014	-	191,227
2015	-	191,228
2016	-	191,228
2017-2021	-	737,918
2022-2026	-	516,793
2027-2028	-	137,254
Total	<u>\$ 45,484</u>	<u>\$ 2,393,587</u>

8. CAPITAL LEASE

During 2007 the Village entered into a capital lease for a street sweeper in the amount of \$94,123. Amortization of the remaining lease, including interest, is scheduled as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2012	<u>\$18,902</u>
Total minimum lease payments	18,902
Less: amount representing interest	<u>(873)</u>
Present value of future minimum lease payments	<u>\$18,029</u>

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

9. RETIREMENT SYSTEMS

The Village's full-time Police Officers and Fire Fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10 percent, respectively, of their gross wages. The Village contributed an amount equal to 19.5 percent of police members' and 24 percent of fire members' wages. For 2011 and 2010, OPERS members contributed 10 percent of their gross wages and the Village contributed an amount equal to 14 percent of participants' gross wages. The Village has paid all contributions required through December 31, 2011.

10. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

11. CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

12. RELATED ORGANIZATION

The Brown Memorial Library is a related organization to the Village. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the Village.

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of Village Council
Village of Lewisburg, Preble County, Ohio

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 1, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses listed as finding 2011-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2011-02 and 2011-03.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated August 1, 2012.

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
August 1, 2012

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-01

During 2010 the Village approved a water and sewer rate increase. The Village’s software maintenance company, in an attempt to update rates in the billing system, incorrectly established billing rates. As a result of the application of incorrect utility rates, water and sewer customers with meter readings performed on a quarterly basis were overcharged \$13.65 per quarter when usage equaled or exceeded 6,000 gallons, during the third and fourth quarters of 2010. The error was detected and billings were correct beginning in 2011.

Based on discussions with the Director of Water Utilities, the overcharges affected accounts only with quarterly readings and would affect approximately 200 accounts. Based on 200 accounts over a period of 2 quarters, an estimated amount overcharged to customers would total \$5,460.

We recommend that the Village consider performing a detailed review of all accounts affected by the overcharges and consider the issuance of appropriate refunds or credits.

Village’s Response

The Village concurs and will investigate appropriate actions.

FINDING NUMBER 2011-02

Ohio Revised Code Section 5705.36(A)(4) requires that when it is known that actual resources will be less than currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce estimated resources available for appropriation. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources, or any amendments thereof.

The following funds had estimated resources available that exceeded actual resources available, and the deficiency reduced available resources below the current level of appropriation contrary to Ohio Revised Code Section 5705.36(A)(4) and Ohio Revised Code Section 5705.36(A)(5):

<u>Year/Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2011</i>			
Recreation	\$40,256	\$40,627	(\$371)
Brown Library	31,907	32,001	(94)
Sewer	412,563	413,333	(770)
Sanitation	162,742	166,195	(3,453)
<i>2010</i>			
General	1,710,999	1,712,413	(1,414)
Recreation	49,627	55,830	(6,203)
Brown Library Bond	9,682	12,638	(2,956)

We recommend that the Village implement procedures to ensure compliance with the requirements of the Ohio Revised Code.

Village's Response

The Village will more closely monitor actual resources compared to appropriated amounts to ensure compliance.

FINDING NUMBER 2011-03

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 55% of expenditures tested in 2011 and 2010, nor did the Village use the aforementioned exceptions.

We recommend that the Village implement procedures to ensure compliance with the requirements of the Ohio Revised Code.

Village's Response

The Village concurs with the citation and will attempt to ensure certifications are properly performed in the future.

**VILLAGE OF LEWISBURG
PREBLE COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2009-01	Material Weakness over financial reporting, audit adjustments.	Yes	Condition not evident during current audit period.
2009-02	ORC section 5705.41(D) Fiscal Officer certification.	No	Condition existed during current audit period, reissued as finding 2011-03.
2009-03	ORC Section 5705.39 appropriations exceeded estimated resources.	Yes	Condition not evident during current audit period.



Dave Yost • Auditor of State

VILLAGE OF LEWISBURG

PREBLE 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 17, 2013