

**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2009 and 2008**





# Mary Taylor, CPA

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, 2008 through December 31, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 13, 2010

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**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditors' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types – For the Year Ended December 31, 2009.....	3
Combined Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Enterprise Funds For the Year Ended December 31, 2009.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types – For the Year Ended December 31, 2008.....	5
Combined Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Enterprise Funds For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	20

# 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, 2009 and 2008. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2009 and 2008 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, 2009 and 2008, or their 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 and reserves for encumbrances of the Village as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2010, 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 black ink that reads "Bastin & Company, L L C". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
June 22, 2010

**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, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Other Local Taxes	\$ 147,892	\$ 114,483	\$ -	\$ -	\$ 262,375
Municipal Income Tax	735,304	-	-	-	735,304
Intergovernmental	107,947	192,346	-	292,191	592,484
Charges for Services	355,919	-	-	-	355,919
Fines, Licenses and Permits	1,057	332	-	-	1,389
Earnings on Investments	12,515	-	-	-	12,515
Miscellaneous	3,817	331	-	-	4,148
<b>Total Cash Receipts</b>	<b>1,364,451</b>	<b>307,492</b>	<b>-</b>	<b>292,191</b>	<b>1,964,134</b>
<i>Cash Disbursements:</i>					
Current:					
General Government	301,727	2,816	-	-	304,543
Security of Person and Property	769,187	78,226	-	-	847,413
Leisure Time Activities	-	44,608	-	-	44,608
Community Environment	8,377	-	-	-	8,377
Transportation	-	122,235	-	-	122,235
Capital Outlay	15,790	6,830	2,955	378,759	404,334
Debt Service:					
Redemption of Principal	24,986	7,820	-	11,570	44,376
Interest and Fiscal Charges	13,502	1,631	-	1,631	16,764
<b>Total Cash Disbursements</b>	<b>1,133,569</b>	<b>264,166</b>	<b>2,955</b>	<b>391,960</b>	<b>1,792,650</b>
Receipts Over (Under) Disbursements	230,882	43,326	(2,955)	(99,769)	171,484
<i>Other Financing Receipts (Disbursements):</i>					
Transfers-In	-	-	-	145,247	145,247
Transfers-Out	(145,247)	-	-	-	(145,247)
Other Financing Sources	8,795	923	-	-	9,718
Other Financing Uses	(4,317)	-	-	-	(4,317)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(140,769)</b>	<b>923</b>	<b>-</b>	<b>145,247</b>	<b>5,401</b>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	90,113	44,249	(2,955)	45,478	176,885
Fund Cash Balances, January 1	288,904	159,223	12,663	254,172	714,962
Fund Cash Balances, December 31	<u>\$ 379,017</u>	<u>\$ 203,472</u>	<u>\$ 9,708</u>	<u>\$ 299,650</u>	<u>\$ 891,847</u>
Reserve for Encumbrances, December 31	<u>\$ 650</u>	<u>\$ 1,488</u>	<u>\$ 3,480</u>	<u>\$ 4,391</u>	<u>\$ 10,009</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, 2009**

	Proprietary Fund Types
	Enterprise
<i>Operating Cash Receipts:</i>	
Charges for Services	\$ 655,686
Total Operating Cash Receipts	655,686
<i>Operating Cash Disbursements:</i>	
Personal Services	332,798
Contractual Services	53,519
Supplies and Materials	114,763
Capital Outlay	6,763
Total Operating Cash Disbursements	507,843
Operating Income	147,843
<i>Non-Operating Cash Receipts:</i>	
Proceeds from OWDA Loan	94
Total Non-Operating Cash Receipts	94
<i>Non-Operating Cash Disbursements:</i>	
Redemption of Principal	150,969
Interest and Other Fiscal Charges	39,961
Other Financing Uses	90
Total Non-Operating Cash Disbursements	191,020
Net Receipts Over (Under) Disbursements	(43,083)
Fund Cash Balances, January 1	437,590
Fund Cash Balances, December 31	\$ 394,507
Reserve for Encumbrances, December 31	\$ 8,460

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, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Other Local Taxes	\$ 152,329	\$ 134,941	\$ -	\$ -	\$ 287,270
Municipal Income Tax	679,229	-	-	-	679,229
Intergovernmental	111,521	159,806	-	41,265	312,592
Charges for Services	271,909	-	-	10,000	281,909
Fines, Licenses and Permits	1,195	-	-	-	1,195
Earnings on Investments	20,583	-	-	-	20,583
Miscellaneous	8,267	20	-	-	8,287
<b>Total Cash Receipts</b>	<b>1,245,033</b>	<b>294,767</b>	<b>-</b>	<b>51,265</b>	<b>1,591,065</b>
<i>Cash Disbursements:</i>					
Current:					
General Government	278,870	4,936	-	-	283,806
Security of Person and Property	763,413	41,156	-	-	804,569
Leisure Time Activities	-	39,303	-	-	39,303
Community Environment	9,086	-	-	-	9,086
Transportation	12,001	160,896	-	-	172,897
Capital Outlay	435,838	32,188	6,760	146,191	620,977
Debt Service:					
Redemption of Principal	29,710	11,405	-	9,456	50,571
Interest and Fiscal Charges	17,123	521	-	-	17,644
<b>Total Cash Disbursements</b>	<b>1,546,041</b>	<b>290,405</b>	<b>6,760</b>	<b>155,647</b>	<b>1,998,853</b>
Receipts Over (Under) Disbursements	(301,008)	4,362	(6,760)	(104,382)	(407,788)
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Notes	55,000	-	-	-	55,000
Sale of Fixed Assets	2,000	-	-	-	2,000
Transfers-In	-	-	-	198,022	198,022
Transfers-Out	(198,022)	-	-	-	(198,022)
Other Financing Sources	13,987	326	-	-	14,313
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(127,035)</b>	<b>326</b>	<b>-</b>	<b>198,022</b>	<b>71,313</b>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(428,043)	4,688	(6,760)	93,640	(336,475)
Fund Cash Balances, January 1	716,947	154,535	19,423	160,532	1,051,437
Fund Cash Balances, December 31	<u>\$ 288,904</u>	<u>\$ 159,223</u>	<u>\$ 12,663</u>	<u>\$ 254,172</u>	<u>\$ 714,962</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, 2008**

	Proprietary Fund Types
	Enterprise
<i>Operating Cash Receipts:</i>	
Charges for Services	\$ 679,281
Total Operating Cash Receipts	679,281
<i>Operating Cash Disbursements:</i>	
Personal Services	324,761
Contractual Services	57,244
Supplies and Materials	199,810
Capital Outlay	1,118,130
Total Operating Cash Disbursements	1,699,945
Operating Income	(1,020,664)
<i>Non-Operating Cash Receipts:</i>	
Proceeds from OWDA Loan	1,090,062
Other Financing Sources	41,151
Total Non-Operating Cash Receipts	1,131,213
<i>Non-Operating Cash Disbursements:</i>	
Redemption of Principal	78,805
Interest and Other Fiscal Charges	20,325
Payments Made to Trustee for Debt Service	29,998
Other Financing Uses	258
Total Non-Operating Cash Disbursements	129,386
Net Receipts Over (Under) Disbursements	(18,837)
Fund Cash Balances, January 1	456,427
Fund Cash Balances, December 31	\$ 437,590

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, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Lewisburg, Preble County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides water and sewer utilities, park operations, fire services and police services. The Brown Memorial Library is a related organization (See Note 13).

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Village maintains an interest bearing checking accounts and certificates of deposit, 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF LEWISBURG**  
**PREBLE COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**  
**(continued)**

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

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

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

*Brown Library 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 are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project 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 established to accumulate funds for the purchase of a new ambulance.

*Fire Truck Reserve and Trust Fund* – This fund is established 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 that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sanitation Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2009	2008
Demand deposits	\$ 918,296	\$ 784,494
Certificates of Deposit	368,058	368,058
Total deposits	\$1,286,354	\$1,152,552

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,437,901	\$ 1,373,246	\$ (64,655)
Special Revenue	299,610	308,415	8,805
Capital Projects	411,513	437,438	25,925
Enterprise	698,481	655,780	(42,701)
Total	\$ 2,847,505	\$ 2,774,879	\$ (72,626)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,436,131	\$ 1,283,783	\$ 152,348
Special Revenue	301,560	265,654	35,906
Debt Service	12,638	6,435	6,203
Capital Projects	402,726	396,351	6,375
Enterprise	733,958	707,323	26,635
Total	\$ 2,887,013	\$ 2,659,546	\$ 227,467

**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(continued)**

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,178,331	\$ 1,316,020	\$ 137,689
Special Revenue	239,397	295,093	55,696
Capital Projects	169,265	249,287	80,022
Enterprise	1,631,413	1,810,494	179,081
Total	\$ 3,218,406	\$ 3,670,894	\$ 452,488

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,901,667	\$ 1,744,063	\$ 157,604
Special Revenue	387,539	290,405	97,134
Debt Service	19,424	6,760	12,664
Capital Projects	329,798	155,647	174,151
Enterprise	2,087,841	1,829,331	258,510
Total	\$ 4,726,269	\$ 4,026,206	\$ 700,063

**4. COMPLIANCE**

- Contrary to Ohio Revised Code, Section 5705.39, total appropriations exceeded total estimated resources in the General Fund by \$6,389 for 2008.
- Contrary to Ohio Rev. Code, Section 5705.41 (D), 67 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 rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.



**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(continued)**

**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.

**7. DEBT**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan (Main St.)	\$ 86,250	0.00%
OPWC Loan (Water Tower)	285,234	0.00%
OPWC Loan (Sludge)	343,836	0.00%
Police Administration Building Loan	251,232	5.00%
OWDA Water Treatment Plant Loan 4717	1,319,945	2.75%
Total	<u>\$ 2,286,497</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. As of December 31, 2009 \$1,400,528 of the funds had been disbursed by OWDA for project costs. The loan established interim repayment terms until such time that the project is finalized and final project costs are known. During 2008 and 2009, the Village has made \$80,583 of payments on the loan. Funds disbursed by OWDA on the Village's behalf have been reflected in the financial statements as capital outlay expenditures and as loan proceeds.

**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(continued)**

In addition to the above items, during 2008 the Village obtained a loan from Eaton National Bank for \$55,000, at a 4.5 percent interest rate for the purchase of land. The loan was retired during 2009.

In prior years, the Village reported a \$109,670 loan payable from the Ohio Public Works Commission to finance the widening of Commerce Street. There has been no activity on the project or the loan and as of December 31, 2009, the project and the loan have been cancelled. As a result, the loan is no longer reported as a debt of the Village.

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

Year ending Dec 31:	OPWC (Main Street Project)	OPWC (Water Tower)	OPWC (Sludge Maintenance Project)	Police Admin Building	Total (*)
2010	\$ 11,250	\$ 30,025	\$ 23,713	\$ 38,488	\$ 103,476
2011	7,500	30,025	23,713	38,488	\$ 99,726
2012	7,500	30,025	23,713	38,488	\$ 99,726
2013	7,500	30,025	23,713	38,488	\$ 99,726
2014	7,500	30,025	23,713	38,488	\$ 99,726
2015-2019	37,500	135,109	118,564	114,997	\$ 406,170
2020-2024	7,500	-	106,707	-	\$ 114,207
Total	<u>\$ 86,250</u>	<u>\$ 285,234</u>	<u>\$ 343,836</u>	<u>\$ 307,437</u>	<u>\$ 1,022,757</u>

(\*) Excludes amounts related to the OWDA Water Treatment Plant Loan that currently has not been formally scheduled for repayment by OWDA.

**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>
2010	\$18,902
2011	18,903
2012	<u>18,902</u>
Total minimum lease payments	56,707
Less: amount representing interest	<u>(5,086)</u>
Present value of future minimum lease payments	<u>\$51,621</u>

**9. TRANSFERS**

During 2009 and 2008, transfers were made from the General Fund to fund various capital projects.

**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(continued)**

**10. RETIREMENT SYSTEMS**

The Village's law enforcement officers and fire fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10 percent, respectively, of their gross wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. For 2009 and 2008, 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, 2009.

**11. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance to full-time employees through a private carrier.

**12. DEBT SERVICE TRUST FUNDS**

The Village's Wastewater Treatment First Mortgage Revenue Refunding Bonds that were retired during 2008 had required the Village to establish a Debt Reserve Fund and the Repair and Replacement Fund. The Village made monthly payments into these funds which are held by a trustee who, in turn, invested the funds and makes bond principle and interest payments when due. During 2008, the Village made payments to the Trustee totaling \$29,998 and the Trustee made the final principal and interest payments on the bonds totaling \$42,600. The Trustee closed out the trust funds during 2008 and returned \$40,049 to the Village.

**13. CONTINGENT LIABILITIES**

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

**14. 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, 2009 and 2008, and have issued our report thereon dated June 22, 2010, 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. 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**

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. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 described in the accompanying schedule of findings 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, grant agreements and other matters, 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 as item 2009-02 and 2009-03.

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

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  
June 22, 2010

**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

**FINDING NUMBER 2009-01**

During the course of our audit, we identified material misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal control. Audit adjustments were necessary to correct errors in the Village's financial statements. A description of the adjustments follows:

*Fund Reclassification*

For 2008 and 2009, audit adjustments were necessary to properly classify funds. The Village reported 1) the Income Tax Fund as a Special Revenue Fund, which was reclassified into the General Fund, 2) the Water Bond Debt Reserve Fund was reported as a Debt Service Fund, which was reclassified as an Enterprise Fund and 3) the Sludge Project Fund was reported as a Capital Project Fund, which was reclassified as an Enterprise Fund.

*Debt Activity Reclassifications*

For 2008, audit adjustments were necessary to reclassify:

- interest expense recorded as principal retirement in the General Fund and Street Fund, for \$17,207 and \$521 respectively,
- interest expense payments recorded as capital outlay in the Water Fund and Sewer Fund, for \$19,256 and \$2,367 respectively,
- principal retirement payments recorded as capital outlay in the Sewer Fund for \$21,346,
- interest expense payments recorded as principal retirement in the Sanitation Fund for \$1,069,
- capital outlay expense recorded as principal retirement in the Water Fund for \$3,043,
- interest expense to capital outlay expense in the General Fund, for \$84,
- principal retirement payments to capital outlay in the Brown Library Bond Fund for \$6,760.

For 2009, audit adjustments were necessary to reclassify:

- interest expense payments recorded as principal retirement and capital outlays in the General Fund and Water Fund, by \$13,502 and \$37,486 respectively.

*Loan Activity Reclassifications*

For 2008, audit adjustments were necessary to reclassify:

- loan proceeds recorded as other financing sources in the Water Fund, for \$1,090,062,
- receipts for grants that were improperly recorded as loan proceeds in the General Fund for \$2,574 and in the Capital Improvement Fund for \$2,948.

*Unrecorded Activity*

For 2008, an audit adjustment was necessary to record:

- grant proceeds and expenditures for an OPWC project for \$38,317 (Cumberland Street Improvement project).

For 2009, audit adjustments were necessary to record:

- loan proceeds and expenditures for an OWDA project for \$94 (Water Tower project),
- grant proceeds for an OPWC project for \$279,600 (Cumberland Street Improvement project).

The presentation of materially correct financial statements is the responsibility of management.

We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

### **Village's Response**

The Village concurs and will attempt to correct the recording of transactions in the future.

### **FINDING NUMBER 2009-02**

Ohio Rev. 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 67% of expenditures tested in 2009 and 2008, 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.

**FINDING NUMBER 2009-03**

Ohio Revised Code, Section 5705.39, requires that total appropriations from each fund not exceed total estimated fund resources from each fund.

During 2008, total appropriations exceeded total estimated resources in the General Fund by \$6,389.

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 monitor budgetary data more closely in the future.



**VILLAGE OF LEWISBURG  
PREBLE COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Status Explanation</b>
2007-01	Material misstatements in the financial statements	No	Condition existed during current audit period, reissued as finding 2009-01
2007-02	No account established for some residents in income tax database	Yes	Corrected
2007-03	Fiscal Officer certification noncompliance citation ORC, section 5705.41	No	Condition existed during current audit period, reissued as finding 2009-02
2007-04	Fund appropriations exceeded fund estimated resources, ORC section 5705.39	No	Condition existed during current audit period, reissued as finding 2009-03
2007-05	Fund expenditures exceeded fund appropriations, ORC section 5705.41(B)	Yes	Corrected





**Mary Taylor, CPA**  
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  
SEPTEMBER 23, 2010**