

VILLAGE OF NEW LEBANON

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

Village Council
Village of New Lebanon
198 South Clayton Road
New Lebanon, Ohio 45345

We have reviewed the *Independent Auditors' Report* of the Village of New Lebanon, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2009 through December 31, 2010. 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 New Lebanon is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 5, 2011

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**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

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Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of New Lebanon, Montgomery County, Ohio, (the Village), as of and for the years ended December 31, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 require 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and encumbrances of the Village of New Lebanon, Montgomery County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

April 30, 2011

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**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

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				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 67,938	\$ 493,200	\$ 0	\$ 0	\$ 561,138
Municipal Income Taxes	0	707,783	0	0	707,783
Intergovernmental Receipts	127,804	275,656	0	176,005	579,465
Special Assessments	0	64,747	0	0	64,747
Charges for Services	57,613	456,698	0	0	514,311
Fines and Forfeitures	5,559	222	0	0	5,781
Earnings on Investments	5,243	0	3	0	5,246
Miscellaneous	21,090	74,942	162,204	0	258,236
Total Cash Receipts	<u>285,247</u>	<u>2,073,248</u>	<u>162,207</u>	<u>176,005</u>	<u>2,696,707</u>
Cash Disbursements:					
Current:					
Security of Person and Property	0	1,345,190	0	0	1,345,190
Leisure Time Activities	90,330	0	0	0	90,330
Community Environment	29,448	0	0	0	29,448
Transportation	0	137,262	0	0	137,262
General Government	150,668	176,734	0	0	327,402
Capital Outlay	7,397	5,802	0	648,550	661,749
Debt Service:					
Principal	302,500	422,235	100,000	0	824,735
Interest	9,050	11,842	52,709	0	73,601
Total Cash Disbursements	<u>589,393</u>	<u>2,099,065</u>	<u>152,709</u>	<u>648,550</u>	<u>3,489,717</u>
Total Receipts Over/(Under) Disbursements	<u>(304,146)</u>	<u>(25,817)</u>	<u>9,498</u>	<u>(472,545)</u>	<u>(793,010)</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	262,500	347,500	0	566,693	1,176,693
Transfers-in	475,021	411,751	0	185,401	1,072,173
Transfers-out	(431,290)	(605,003)	0	(33,078)	(1,069,371)
Advances-in	72,438	0	0	0	72,438
Advances-out	0	0	0	(72,438)	(72,438)
Other Financing Sources	2,934	19,746	0	0	22,680
Other Financing Uses	(26,056)	(13,320)	0	0	(39,376)
Total Other Financing Receipts/(Disbursements)	<u>355,547</u>	<u>160,674</u>	<u>0</u>	<u>646,578</u>	<u>1,162,799</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	51,401	134,857	9,498	174,033	369,789
Fund Cash Balances, January 1	<u>808,375</u>	<u>572,026</u>	<u>173,839</u>	<u>43,994</u>	<u>1,598,234</u>
Fund Cash Balances, December 31	<u>859,776</u>	<u>706,883</u>	<u>183,337</u>	<u>218,027</u>	<u>1,968,023</u>
Reserve for Encumbrances, December 31	<u>\$ 6,061</u>	<u>\$ 36,960</u>	<u>\$ 0</u>	<u>\$ 44,192</u>	<u>\$ 87,213</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

	PROPRIETARY FUND TYPE Enterprise
Operating Cash Receipts:	
Changes for Services	\$ 1,195,999
Miscellaneous	6,256
Total Operating Cash Receipts	1,202,255
Operating Cash Disbursements:	
Personal Services	356,299
Employee Fringe Benefits	28
Supplies and Materials	527,212
Utilities	66,321
Transportation	73,451
Total Operating Cash Disbursements	1,023,311
Operating Income (Loss)	178,944
Non-Operating Receipts (Disbursements)	
Special Assessments	1,365
Sale of Notes	405,000
Miscellaneous	1,047
Debt Service:	
Principal	(489,219)
Interest	(13,313)
Other Financing Sources	3,752
Other Financing Uses	(691)
Total Non-Operating Cash Receipts	(92,059)
Excess of Revenues Over/(Under) Expenses before Interfund Transfers	86,885
Transfers-Out	(2,802)
Net Receipts Over/(Under) Disbursements	84,083
Fund Cash Balances, January 1	902,548
Fund Cash Balances, December 31	\$ 986,631
Reserve for Encumbrances, December 31	19,085

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

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				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 67,609	\$ 483,977	\$ 0	\$ 0	\$ 551,586
Municipal Income Taxes	0	747,355	0	0	747,355
Intergovernmental Receipts	147,803	259,898	0	736,652	1,144,353
Special Assessments	0	62,483	0	0	62,483
Charges for Services	51,517	472,045	0	0	523,562
Fines and Forfeitures	4,217	4,319	0	0	8,536
Earnings on Investments	23,842	0	0	0	23,842
Miscellaneous	16,056	84,809	168,026	0	268,891
Total Cash Receipts	<u>311,044</u>	<u>2,114,886</u>	<u>168,026</u>	<u>736,652</u>	<u>3,330,608</u>
Cash Disbursements:					
Current:					
Security of Person and Property	0	1,306,665	0	0	1,306,665
Leisure Time Activities	87,024	0	0	0	87,024
Community Environment	31,784	0	0	0	31,784
Transportation	0	95,536	0	0	95,536
General Government	164,094	181,962	0	0	346,056
Capital Outlay	46,757	41,552	0	1,502,413	1,590,722
Debt Service:					
Principal	342,500	492,500	105,000	157,832	1,097,832
Interest	9,399	11,285	57,759	0	78,443
Total Cash Disbursements	<u>681,558</u>	<u>2,129,500</u>	<u>162,759</u>	<u>1,660,245</u>	<u>4,634,062</u>
Total Receipts Over/(Under) Disbursements	<u>(370,514)</u>	<u>(14,614)</u>	<u>5,267</u>	<u>(923,593)</u>	<u>(1,303,454)</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	302,500	412,500	0	470,445	1,185,445
Sale of Fixed Assets	10,434	0	0	0	10,434
Transfers-In	472,815	377,700	0	328,103	1,178,618
Transfers-Out	(376,289)	(730,866)	0	0	(1,107,155)
Advances-In	0	0	0	72,438	72,438
Advances-Out	(72,438)	0	0	0	(72,438)
Other Financing Sources	1,357	15,119	0	0	16,476
Other Financing Uses	(17,539)	(14,149)	0	0	(31,688)
Total Other Financing Receipts/(Disbursements)	<u>320,840</u>	<u>60,304</u>	<u>0</u>	<u>870,986</u>	<u>1,252,130</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(49,674)</u>	<u>45,690</u>	<u>5,267</u>	<u>(52,607)</u>	<u>(51,324)</u>
Fund Cash Balances, January 1	<u>858,049</u>	<u>526,336</u>	<u>168,572</u>	<u>96,601</u>	<u>1,649,558</u>
Fund Cash Balances, December 31	<u>808,375</u>	<u>572,026</u>	<u>173,839</u>	<u>43,994</u>	<u>1,598,234</u>
Reserve for Encumbrances, December 31	<u>\$ 4,491</u>	<u>\$ 23,207</u>	<u>\$ 0</u>	<u>\$ 7,969</u>	<u>\$ 35,667</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	PROPRIETARY FUND TYPE Enterprise
Operating Cash Receipts:	
Changes for Services	\$ 1,188,117
Miscellaneous	41,041
Total Operating Cash Receipts	1,229,158
Operating Cash Disbursements:	
Personal Services	347,875
Employee Fringe Benefits	741
Supplies and Materials	476,346
Utilities	67,246
Transportation	68,791
Total Operating Cash Disbursements	960,999
Operating Income (Loss)	268,159
Non-Operating Receipts (Disbursements)	
Sale of Notes	445,000
Debt Service:	
Principal	(546,387)
Interest	(18,535)
Other Financing Sources	6,810
Other Financing Uses	(310)
Total Non-Operating Cash Receipts	(113,422)
Excess of Revenues Over/(Under) Expenses before Interfund Transfers	154,737
Transfers-In	1,690
Transfers-Out	(73,153)
Net Receipts Over/(Under) Disbursements	83,274
Fund Cash Balances, January 1	819,274
Fund Cash Balances, December 31	902,548
Reserve for Encumbrances, December 31	\$ 33,058

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 YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Lebanon, Montgomery County, Ohio (the Village) is a body corporate and public 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 and Mayor. The Village provides general governmental services, including water, sewer, refuse service, park operations (leisure time activities), and police services.

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

New Lebanon Community Improvement Corporation

The New Lebanon Community Improvement Corporation (CIC) was formed to advance, encourage, and promote the industrial, economic, commercial, and civic development of the Village of New Lebanon, Ohio, by acting as a designated agency of the Village for the industrial, commercial, distribution, and research development in such political subdivision in accordance with Section 1724.10 of the Ohio Revised Code.

The CIC is governed by a board of trustees consisting of no more than fifteen members. The trustees manage and oversee the operation of the corporation.

For the years ended December 31, 2010 and 2009 the CIC had no financial activity and should be considered an advisory committee to the Village. Information can be obtained by contacting Brenda Etter, Finance Director, Village of New Lebanon, 198 Clayton Rd, New Lebanon Ohio, 45345.

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 a payment is made 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.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

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

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Mutual funds are recorded at share values reported by the mutual fund.

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:

General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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:

Fire Levy Fund – receives general property taxes and contractual services, which are used to provide fire and emergency services to its residents and surrounding communities.

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

Debt Service Funds:

These funds are used to accumulate resources for the payment of indebtedness.

Area One Court – This fund accumulates resources for the payment of bonds issued.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 Fund:

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

Enterprise Funds:

These funds account for operations that are similar to private 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 enterprise funds:

Water Fund – Receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund – Receives charges for services from residents to cover the cost of providing this utility.

Garbage/Trash – Receives charges for service from residents and makes payments to contractors.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency funds) be budgeted annually.

Appropriations

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Estimate Resources

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

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 reappropriated.

A summary of 2010 and 2009 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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

	<u>2010</u>		<u>2009</u>
Demand Deposits	\$ 1,200,144	\$	747,088
Certificates of Deposit	1,000,000		1,000,000
Star Ohio	754,310		753,494
Cash on Hand	<u>200</u>		<u>200</u>
Total Deposits and Investments	\$ <u>2,954,654</u>	\$	<u>2,500,782</u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits:

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

Investments:

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

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2010 and 2009 was as follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,098,140	\$ 1,025,702	\$ (72,438)
Special Revenue	2,852,245	2,852,245	0
Debt Service	162,207	162,207	0
Capital Projects	928,099	928,099	0
Enterprise Funds	1,613,419	1,613,419	0
Total	<u>\$ 6,654,110</u>	<u>\$ 6,581,672</u>	<u>\$ (72,438)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,102,631	\$ 1,052,800	\$ 49,831
Special Revenue	2,888,895	2,754,348	134,547
Debt Service	162,207	152,709	9,498
Capital Projects	906,598	725,820	180,778
Enterprise Funds	1,646,478	1,548,421	98,057
Total	<u>\$ 6,706,809</u>	<u>\$ 6,234,098</u>	<u>\$ 472,711</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,098,150	\$ 1,098,150	\$ 0
Special Revenue	2,920,205	2,920,205	0
Debt Service	168,026	168,026	0
Capital Projects	1,607,638	1,535,200	72,438
Enterprise Funds	1,682,657	1,682,658	(1)
Total	<u>\$ 7,476,676</u>	<u>\$ 7,404,239</u>	<u>\$ 72,437</u>

2009 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,499,662	\$ 1,079,877	\$ 419,785
Special Revenue	3,117,655	2,897,722	219,933
Debt Service	162,759	162,759	0
Capital Projects	1,704,240	1,668,214	36,026
Enterprise Funds	1,900,843	1,632,442	268,401
Total	<u>\$ 8,385,159</u>	<u>\$ 7,441,014</u>	<u>\$ 944,145</u>

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payment, 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.

5. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation - Fire House	160,000	2.125%
General Obligation - Municipal Building	450,000	3.0%
General Obligation - Water Works	405,000	3.0%
General Rev Bonds - Area One Court	970,000	4.75%
OPWC - WWTP Phase I	76,967	0.0%
OPWC - WWTP Phase II	269,191	0.0%
OPWC - Main St Phase I	184,970	0.0%
OPWC - Main St Phase II	352,657	0.0%
OPWC - Main St Phase III	489,776	0.0%
Total	<u><u>\$3,358,561</u></u>	

The Village's general obligation notes and revenue anticipation notes consists of the following:

1994 construction of the fire house - balance remaining \$160,000, renewed annually.
Consolidated municipal building and Lawson storm sewer project was renewed in 2010 with a consolidated note - balance remaining \$450,000, renewed annually.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

5. DEBT (Continued)

Water works revenue anticipation note with a balance of \$405,000 comprised of acquiring real property for well field protection \$210,000, replacing an existing well with well #5 \$60,000, constructing a water main and related improvements along North Clayton Road \$55,000 and constructing well #6 and abandoning well #2 \$80,000. The notes are secured by water receipts and the Village has agreed to set utility rates sufficient to cover debt service requirements, renewed annually.

The Village issued County Court Facility Revenue Bonds, Series 1998 for the cost of constructing and furnishing a building for use as a court building by Montgomery County District Court One. Interest on the Series 1998 bonds is payable on June 1 and December 1 of each year, commencing June, 2001. In conjunction with the bonds issued, the Village entered into a construction and lease agreement with Montgomery County in which the County agreed to lease the project from the Village for a 20-year period. The County agreed to pay a fixed minimum rent for the project at an amount which has been calculated by the Village to be sufficient in time and amount to pay the Bond service charges on the Series 1998 bonds when due, final maturity December 2018.

Phase I and Phase II OPWC loans were obtained for the purpose of paying for Phase I and Phase II improvements to the Village sewer plant that was mandated by the Ohio Environmental Protection Agency. These notes are zero percent interest. Phase I balance remaining \$76,967, final payment July 2013; and Phase II is \$269,191, final payment January 2025.

OPWC Main Street loans Phase I, II and III were obtained in 2010 and 2009 for improvements to Main Street. These improvements include street paving, curb and sidewalk replacement, storm sewers catch basins, etc. Phase I and Phase II loans have been drawn in full; Phase III has been approved for \$632,340, \$489,776 has been drawn as of December 31, 2010. Phase I loan is a 20-year loan, final payment July 2030, semi annual payments of \$4,868 at 0% interest. Phase II loan is a 30-year loan, final payment July 2039, semi annual payments of \$6,081 at 0% interest. Phase III loan is a 30-year loan, final payment January 2041, semi annual payments of \$10,539 at 0% interest. Amortization schedule reflects amounts drawn to date.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

5. DEBT (Continued)

The following is a summary of the Village's future annual debt service requirements:

Year	General Obligation Notes		Area One Court		OPWC Loans	
	Principal	Interest	Principal	Interest	WWTP	Main St
2011	\$1,015,000	\$21,509	\$ 100,000	\$ 48,008	\$44,220	\$42,974
2012	0	0	105,000	43,258	44,220	42,974
2013	0	0	110,000	38,140	44,222	42,974
2014	0	0	120,000	32,750	18,565	42,974
2015	0	0	125,000	26,750	18,565	42,974
2016 - 2020	0	0	410,000	41,750	92,825	214,870
2021 - 2125	0	0	0	0	83,541	214,870
2026 - 2130	0	0	0	0	0	205,140
2031 - 2135	0	0	0	0	0	129,021
2036 - 2140	0	0	0	0	0	48,632
Totals	<u>\$1,015,000</u>	<u>\$21,509</u>	<u>\$970,000</u>	<u>\$230,656</u>	<u>\$346,158</u>	<u>\$1,027,403</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Fund (OP&F) or the Ohio Public Employees' Retirement System (OPERS). Other full-time employees belong to OPERS. OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contributions rates. For 2010 and 2009, OP&F participants contributed 10.1 percent of their wages and the Village contributed an amount equal to 19.5 percent and 24.0 percent of covered payroll for police officers and firefighters, respectively. For 2010 and 2009, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

7. LOCAL INCOME TAX

This locally levied tax of 1% applies to gross salaries, wages, and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located in the Village. For 2010 and 2009 amount collected was \$707,783 and \$747,355, respectively. Income tax receipts are recorded in Income Tax Fund, special revenue and transferred to General and Capital Projects funds per ordinance. Transfers for 2010 were \$441,942 general fund and \$147,314 capital projects; for 2009 \$472,047 general fund and \$157,347 capital projects fund.

8. TRANSFERS

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The Village had the following transfers:

From	To	2010	2009
General Fund:	Special Revenue	411,751	376,289
	Capital Projects	19,539	0
Income Tax Fund:	General Fund	441,942	472,047
	Capital Projects	147,314	157,347
Special Revenue Fund	Capital Projects	15,746	97,603
FEMA:	Enterprise	0	1,690
	Special Revenue	0	1,411
	General Fund	0	768
Enterprise Fund	Capital Projects	2,802	73,153
Capital Projects	General Fund	33,078	0
		<u>1,072,1721</u>	<u>1,180,308</u>

General fund transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and ordinances approved by council.

Other transfers include:

- 1) Transfer of FEMA funds to fund in which the expenses were incurred.
- 2) Income tax receipts per ordinance
- 3) Special revenue funds and enterprise funds to related capital projects funds
- 4) Capital projects fund to general fund, to close fund balance, under court approval under R.C. § 5705.14(B)]

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

9. RISK MANAGEMENT

The Village has obtained commercial insurance through EMC Insurance Companies for the following risks:

General liability	\$ 3,000,000
Auto liability & auto physical damage	1,000,000
Property coverage (blanket coverage)	17,201,993
Inland marine coverage	110,000
Manager and Finance Director Bond	100,000
Commercial Umbrella	5,000,000
Public Officials Liability	\$1,000,000

The Village also provides health, prescription, dental, drug, long term disability, long term care, accidental death and dismemberment, life insurance to full-time employees through private carriers.

There have been no significant reductions in insurance coverage during 2010 or 2009. Settled claims have not exceeded commercial excess coverage in any of the past three year.

Manning & Associates
Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

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

Mayor and Members of Council
Village of New Lebanon
Montgomery County
198 South Clayton Road
New Lebanon, Ohio 45345

We have audited the financial statements of the Village of New Lebanon, Montgomery County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 30, 2011, 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 deficiencies, 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 reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider Finding Number 2010-002 to be a material weakness.

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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, providing an opinion 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as Findings Number 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 30, 2011.

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

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

April 30, 2011

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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) 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 District can authorize the drawing of a warrant for the payment of the amount due. The District 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 District.
2. **Blanket certificate** – 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 line item appropriation.
3. **Super Blanket certificate** – The district 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 one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 17 percent and 20 percent of expenditures in 2010 and 2009, respectively; and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can lead to misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are utilized, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001, (Continued)

To improve controls over disbursements and to help reduce the possibility that Village funds will exceed budgetary spending limitations, we recommend that the Village certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, and the expenditure meets the criteria noted above, “then and now” certification should be used.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Response: The Village will review ORC Section 5705.41 (D) for proper certification of funds.

FINDING NUMBER 2010-002

Material Weakness - Village Books and Records

Ohio Admin Code Section 117-2 provides that the Fiscal Officer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code. The following misstatements were noted:

- Debt transactions of principal and interest were not properly classified.
- OPWC loans received by the Village were not properly classified as intergovernmental receipts, rather than loan proceeds
- Transfers-in and transfers-out did not balance on the annual report.

Sound financial reporting is the responsibility of the Fiscal Officer and Members of Council and is essential to ensuring the information provided to the readers of the financial statements is complete and accurate. The Village should implement monitoring procedures to ensure that the financial statements, Annual Reports, accurately report the financial activity of the Village. These financial statements have been adjusted to reflect the above.

Response: The Village will ensure proper recording and reporting of financial activity in the future.

**VILLAGE OF NEW LEBANON
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2008-001	Ohio Rev Code Sec 5705.41(D) - Village failed to properly certify all purchases prior to incurring the expense	No	Reissued as Finding Number 2010-001
2008-002	Ohio Rev Code Sec 5705.39 - Budgeted appropriations exceeded estimated available for expenditures	Yes	
2008-003	Ohio Rev Code Sec 5705.41 (B) - Actual expenditures exceeded budgeted appropriations	Yes	



Dave Yost • Auditor of State

VILLAGE OF NEW LEBANON

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 19, 2011