

**CITY OF NEW LEXINGTON**



**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2000**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Mayor and Members of City Council  
City of New Lexington

We have reviewed the Independent Auditor's Report of the City of New Lexington, Perry County, prepared by Rea & Associates, Inc. for the audit period January 1, 2000 through December 31, 2000. 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.

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 City of New Lexington is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

January 8, 2002

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**CITY OF NEW LEXINGTON  
PERRY COUNTY**

**DECEMBER 31, 2000**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 2, 2001

Mayor and Members of Council  
City of New Lexington  
New Lexington, OH 43764

## Independent Auditor's Report

We have audited the accompanying financial statements of the City of New Lexington, Perry County, Ohio (the "City") as of and for the year ended December 31, 2000. These financial statements are the responsibility of the City'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.

Ohio Administrative Code § 117-6-01 requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the City of New Lexington as of December 31, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 2, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, City Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS, AND  
FUND CASH BALANCES - ALL FUND TYPES  
AS OF DECEMBER 31, 2000

CASH AND INVESTMENTS \$ 1,231,004

CASH BALANCES BY FUND TYPE

GOVERNMENT FUNDS:

General Fund	\$ 120,559
Special Revenue Funds	340,197
Capital Projects Funds	14,286

PROPRIETARY FUNDS:

Enterprise Funds	<u>755,962</u>
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*Total all funds* \$ 1,231,004

The accompanying notes are an integral part of these financial statements.



CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	General	Special Revenue	Debt Service	Total (Memorandum Only)
<b>RECEIPTS:</b>				
Taxes	\$ 644,386	\$ 192,207	\$ 19,616	\$ 856,209
Intergovernmental revenue	135,114	181,082	3,774	319,970
Charges for services	22,439	121,682	0	144,121
Fines, licenses and permits	73,151	2,576	0	75,727
Miscellaneous	97,046	21,181	442	118,669
<i>Total receipts</i>	972,136	518,728	23,832	1,514,696
<b>DISBURSEMENTS:</b>				
Current:				
Security of persons	751,893	96,273	0	848,166
Public health services	20,000	199,042	0	219,042
Leisure time activities	84,198	0	0	84,198
Transportation	0	147,291	0	147,291
General government	265,454	0	0	265,454
Capital outlay	0	209,271	0	209,271
Debt Service - Principal	10,586	31,371	10,000	51,957
Debt Service - Interest	452	5,373	15,930	21,755
<i>Total disbursements</i>	1,132,583	688,621	25,930	1,847,134
<i>Excess of receipts over (under) disbursements</i>	(160,447)	(169,893)	(2,098)	(332,438)
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from sale of bonds	84,484	0	0	84,484
Proceeds from sale of notes	30,358	88,969	0	119,327
Proceeds from inception of capital lease	0	39,231	0	39,231
<i>Total other financing sources</i>	114,842	128,200	0	243,042
<i>Excess of disbursements over receipts and other financing sources</i>	(45,605)	(41,693)	(2,098)	(89,396)
<i>FUND CASH BALANCES, January 1</i>	166,164	381,890	16,384	564,438
<i>FUND CASH BALANCES, December 31</i>	\$ 120,559	\$ 340,197	\$ 14,286	\$ 475,042

The accompanying notes are an integral part of these financial statements.

CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - ALL PROPRIETARY FUND TYPES  
AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary
	Enterprise Funds
OPERATING RECEIPTS:	
Charges for services	\$ 1,202,158
Other/Miscellaneous	10,502
<i>Total operating receipts</i>	1,212,660
OPERATING DISBURSEMENTS:	
Personal services	372,497
Travel transportation	2,358
Contractual services	350,888
Material and supplies	200,230
Capital outlay	18,794
<i>Total operating disbursements</i>	944,767
<i>Operating income</i>	267,893
NON-OPERATING RECEIPTS:	
Sale of Fixed Assets	17,000
NON-OPERATING DISBURSEMENTS:	
Debt service:	
Principal retirement	108,747
Interest and fiscal charges	154,639
<i>Total non-operating disbursements</i>	263,386
<i>Net income before transfers and advances</i>	21,507
Transfers-In	279,480
Transfers-Out	(279,480)
<i>Net income</i>	21,507
<i>FUND BALANCES, January 1</i>	734,455
<i>FUND BALANCES, December 31</i>	\$ 755,962

The accompanying notes are an integral part of these financial statements.

CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Types/Funds</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GOVERNMENTAL FUNDS:</b>			
General Fund	\$ 924,850	\$ 1,056,620	\$ 131,770
Special Revenue Fund	594,037	557,959	(36,078)
Debt Service Fund	27,150	23,832	(3,318)
<b>PROPRIETARY FUNDS:</b>			
Enterprise Funds	<u>1,463,199</u>	<u>1,509,140</u>	<u>45,941</u>
<i>Total all funds</i>	<u><u>\$ 3,009,236</u></u>	<u><u>\$ 3,147,551</u></u>	<u><u>\$ 138,315</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Types/Funds</u>	<u>Reserve for Encumbrances as of 12/31/1999</u>	<u>Appropriations Year Ended 12/31/2000</u>	<u>Total</u>	<u>Disbursements for the Year Ended 12/31/2000</u>	<u>Reserve for Encumbrances as of 12/31/2000</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GOVERNMENTAL FUNDS:</b>							
General Fund	\$ 2,573	\$ 987,008	\$ 984,435	\$1,132,583	\$ 0	\$1,132,583	\$ (148,148)
Special Revenue Fund	2,518	530,100	527,582	688,621	0	688,621	(161,039)
Debt Service Fund	0	26,000	26,000	25,930	0	25,930	70
<b>PROPRIETARY FUNDS:</b>							
Enterprise Funds	8,177	1,291,500	1,299,677	1,487,633	0	1,487,633	(187,956)
<i>Total all funds</i>	<u><u>\$ 13,268</u></u>	<u><u>\$2,834,608</u></u>	<u><u>\$2,837,694</u></u>	<u><u>\$3,334,767</u></u>	<u><u>\$ 0</u></u>	<u><u>\$3,334,767</u></u>	<u><u>\$ (497,073)</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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**NOTE 1 – DESCRIPTION OF THE ENTITY**

The City of New Lexington (the City) is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is a chartered, home-rule municipality as defined in Title 7 of the Ohio Revised Code. The City operates under a Mayor-Council-Administrator plan of government. An appointed finance director is responsible for the fiscal control of the financial resources of the City. The City provides the following services: public safety (police and fire protection), water, sewer, streets and highways, development, parks and recreation, health and other general governmental services.

The City is associated with the New Lexington-Pike Township Union Cemetery, which is defined as a jointly governed organization. This organization is presented in Note 9.

The New Lexington City School District performs activities within the City's boundaries for the benefit of its residents and is excludable from the accompanying financial statements because the City is not financially accountable for the School District nor is the School District fiscally dependent on the City.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code § 117-6-01 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting 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 formerly prescribed or permitted by the Auditor of State.

**B. Pooled Cash and Investments**

The City Finance Director invests all available funds of the City in interest-bearing checking accounts and certificates of deposit. This cash is pooled for investment purposes to capture the highest rate of return. Income from these investments is distributed according to City policy.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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**C. Fund Accounting**

The City maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

**1. Governmental Fund Types:**

**General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

**2. Proprietary Fund Type:**

**Enterprise Funds**

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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**D. Budgetary Process**

**Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the subsequent January 1 to December 31 year.

**Estimated Resources**

The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the City must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2000, unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended during the year as new information becomes available. Appropriations may not exceed estimated resources.

**Encumbrances**

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Property, Plant and Equipment**

Fixed assets acquired or constructed for the City are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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**F. Total Columns on General Purpose 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.

**NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the two-year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations as described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasury Assets Reserve of Ohio (STAR Ohio).



**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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The City may also invest any monies not required to be used for a period of six months or more in the following:

- a. Bonds of the State of Ohio;
- b. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
- c. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited within the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the carrying amount of the City's deposits was \$1,231,004 and the bank balance was \$1,297,574, \$400,000 of which was covered by federal depository insurance and \$897,574 is considered uninsured and uncollateralized. Although State statutory requirements for the deposit of money had been followed, non-compliance with the federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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**NOTE 4 – PROPERTY TAXES**

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for the tax year 1996 for Perry County.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for fiscal year ended December 31, 2000 was \$5.40 per \$1,000 of assessed valuation. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 2000 was \$5.40 per \$1,000 of assessed valuation.

<del>Real Property - 1999 Valuation</del>	
Residential/Agricultural	\$ 20,131,170
Commercial/Industrial	10,536,440
Public Utility	20,250
 <del>Tangible Personal Property - 2000 Valuation</del>	
General	5,418,162
Public Utilities	<u>3,215,270</u>
 Total	 <u>\$ 39,321,292</u>

The Perry County Treasurer collects property tax on behalf of all taxing districts within Perry County. The Perry County Auditor periodically remits to the taxing districts their portion of the taxes collected.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

**NOTE 5 – DEBT OBLIGATIONS**

Debt outstanding at December 31, 2000 consisted of the following:

	<u>Principal</u>	<u>Interest Rates</u>
Water Detention Structure Mortgage Revenue Bonds	\$ 133,788	3.225%
Sanitary Sewer System Mortgage Revenue Bonds	1,026,000	4.50%
Swimming Pool General Obligation Bonds	260,000	5.90%
Vehicle Acquisition General Obligation Bonds	162,404	5.10%-5.75%
General Obligation Notes	118,364	5.80%-6.35%
Ohio Water Development Authority Loans	1,704,395	2.20%-7.89%
Capital Lease	<u>30,234</u>	7.35%
Total	<u>\$ 3,435,185</u>	

Mortgage revenue bonds are obligations of the City for which its full faith, credit and resources are pledged and are payable from user charges assessed for water and sewer services. Outstanding mortgage revenue bonds consist of water and sewer system improvement issues.

General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. Outstanding general obligation bonds consist of a swimming pool construction issue and acquisition of an emergency medical services vehicle.

General obligation notes are direct obligations of the city for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. Outstanding general obligation notes were issued for the acquisition of a police cruiser, a chassis for an emergency medical services vehicle, computer software, and fire rescue truck.

The Ohio Water Development Authority loans are payable from user charges assessed for water and sewer services. These loans were used to make water and sewer system improvements.

During 2000, the city issued \$84,484 in Vehicle Acquisition General Obligation Bonds (for the acquisition of police cruisers).

The annual requirements to amortize debt outstanding as of December 31, 2000, including interest payments of \$2,161,496, are as follows:

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

Year Ending December 31	Water Mortgage Revenue Bonds	Sewer Mortgage Revenue Bonds	Swimming Pool General Obligation Bonds	Vehicle Acquisition General Obligation Bonds	General Obligation Notes	OWDA Loans	Total
2001	\$ 13,809	\$ 57,170	\$ 25,340	\$ 49,162	\$ 27,721	\$ 95,813	\$ 269,015
2002	13,809	56,675	24,750	48,123	27,722	191,624	362,703
2003	13,809	55,180	29,160	42,638	27,721	191,624	360,132
2004	13,809	56,685	23,275	28,118	27,722	191,624	341,233
2005	13,809	57,145	27,685	17,676	26,009	191,624	333,948
2006-2010	69,045	284,455	126,330	0	0	958,125	1,437,955
2010-2015	24,950	284,545	125,075	0	0	692,361	1,126,931
2016-2020	0	284,225	26,475	0	0		310,700
Thereafter	<u>0</u>	<u>1,023,830</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>1,023,830</u>
Total	<u>\$ 163,040</u>	<u>\$ 2,159,910</u>	<u>\$ 408,090</u>	<u>\$ 185,717</u>	<u>\$ 136,895</u>	<u>\$ 2,512,795</u>	<u>\$ 5,566,447</u>

The following is a schedule of future minimum lease payments under capital lease with the net present value of the minimum lease payments as of December 31, 2000.

2001	\$ 8,996
2002	8,996
2003	8,997
2004	<u>8,997</u>
Total minimum lease payments	35,986
Less: Amounts representing interest	<u>5,752</u>
Net present value of minimum lease payments	<u>\$ 30,234</u>

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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**NOTE 6 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ending December 31, 2000, the City contracted with Gulf Insurance Group for property insurance and boiler and machinery coverage. The policies include a \$250 deductible.

Professional and general liability is protected by the Gulf Insurance Group with a \$5,000,000 single occurrence limit with \$5,000,000 aggregate and no deductible. Vehicles are covered by the Gulf Insurance Group and hold a \$250 deductible for collision. Vehicle liability had a \$5,000,000 combined single limit of liability. Settled claims have not exceeded any aforementioned commercial coverage, nor has insurance coverage been significantly reduced, in any of the past three years.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

The City provides a comprehensive health insurance plan with Anthem Blue Cross/Blue Shield for all eligible employees. The City pays 100% of all premiums. The monthly premium for this coverage is \$641.14 for family, \$398.07 for two persons, and \$181.11 for an individual. This insurance provides prescription drug insurance.

Dental coverage is provided through Med Ben. The City pays 100% of the premium for employees. Monthly premiums for this coverage are \$55.52 and \$16.14, respectively, for family and single coverage.

Vision coverage is through VSP. Premiums for family and member plus one coverage are \$17.75. Individual coverage is \$7.84 monthly.

Life insurance coverage is provided through Anthem Life. This provides \$15,000 of coverage for employees. Premiums are \$5.10 per month. The City pays 100% of these premiums.

**NOTE 7 – PENSION OBLIGATIONS**

**A. Public Employees Retirement System**

The City contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and amended by state statute per Chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone, publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377). The employer contribution rate was rolled back for the year 2000.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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Plan members are required to contribute 8.5% of their annual covered salary. The City is required to contribute 10.84%. The Ohio Revised Code provides statutory authority for employee and employer contribution rates. The City's required contribution to PERS for the year ending December 31, 2000 was \$75,231. 100% has been contributed for 2000.

**B. Ohio Police and Fire and Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. The City's contributions to OP&F for the year ending December 31, 2000 was \$45,235. 100% has been contributed for 2000.

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

**A. Public Employees Retirement System**

PERS also provides postemployment health care benefits to age and service retirees thereon with ten (10) or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants, and health care coverage for disability recipients. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care which is considered an Other Postemployment Benefit (OPEB). The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund postretirement health care through their contributions to PERS. Of the 10.84% employer contribution rate for the City, 4.3% was used to fund health care for the year 2000, which amounted to \$29,844. Through the contributions of employers and the investment earnings thereon, the amount allocated to retiree health care is expected to be sufficient to maintain the program indefinitely.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805,500 and the number of active contributing participants in OPEB was 401,339.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2000**

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**B. Ohio Police and Fire Pension Fund**

OP&F provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen (18) whether or not the child is attending school or under the age of twenty-two (22) if attending school full-time or on a two-thirds (2/3) basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24.0% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25% of covered payroll in 2000. The allocation is 7.5% in 2001. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The amount of the employer's contribution used to fund postemployment benefits was \$16,827 in 2000. The OP&F total health care expense for the year ending December 31, 1999, the date of the latest actuarial valuation available, was \$95,004,633, which was net of member contributions of \$5,518,098.

**NOTE 9 – JOINTLY GOVERNED ORGANIZATION**

**New Lexington-Pike Township Union Cemetery**

The New Lexington-Pike Township Union Cemetery (the Cemetery) Board of Trustees are appointed by the City of New Lexington and Pike Township. Taxes levied by the City for cemetery maintenance are collected by Perry County, distributed to the City, and then forwarded to the Cemetery. The Cemetery is a legally-separate entity that prepares and files its own financial statements. The financial activity of the Cemetery is not included in the accompanying financial statements. Independent audits of the Cemetery are performed by the Auditor of State. To obtain financial information, write to the New Lexington-Pike Township Union Cemetery, Delinda Lacey, Treasurer, at 440 Swigart Street, New Lexington, Ohio 43764.

**NOTE 10 – CONTINGENCIES**

**Litigation**

There are currently no matters in litigation with the City as defendant.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 2, 2001

Mayor and Members of Council  
City of New Lexington  
New Lexington, OH 43764

Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the City of New Lexington (the "City") as of and for the year ended December 31, 2000, and have issued our report thereon dated November 2, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* as listed in the Schedule of Findings #2000-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated November 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated November 2, 2001.

This report is intended for the information and use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specific parties.

*Rea & Associates, Inc.*



CITY OF NEW LEXINGTON  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Qualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

<b>2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Material Noncompliance

FINDING NUMBER	2000 – 001
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**Ohio Admin. Code §117-6-01** requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the City prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other legal administrative remedies may be taken against the City.

We recommend the City take the necessary steps to ensure that the annual financial report is prepared on accounting principles generally accepted in the United States of America.

**CITY OF NEW LEXINGTON**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-21064-001	A noncompliance citation was issued under Ohio Admin. Code §117-6-01, for failing to prepare the City's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: This item is reissued as finding number 2000-001 for 2000.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF NEW LEXINGTON**

**PERRY 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 22, 2002**