



**CITY OF NEW LEXINGTON
PERRY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

City of New Lexington
Perry County
125 South Main Street
New Lexington, Ohio 43764

To the City Council:

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, 1999. 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 generally accepted auditing standards 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 generally accepted accounting principles. 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 generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

As discussed in Note 3, the City reclassified certain fund balances during 1999.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the City of New Lexington, Perry County, as of December 31, 1999, 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 have also issued our report dated March 28, 2000, 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.

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

Jim Petro
Auditor of State

March 28, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$577,270	\$86,034	\$23,923	\$687,227
Intergovernmental	148,720	152,166	3,046	303,932
Charges for Services	35,989	308,488		344,477
Fines, Licenses, and Permits	50,072	1,830		51,902
Miscellaneous	45,822	3,334	553	49,709
	<u>857,873</u>	<u>551,852</u>	<u>27,522</u>	<u>1,437,247</u>
Total Cash Receipts				
	<u>857,873</u>	<u>551,852</u>	<u>27,522</u>	<u>1,437,247</u>
Cash Disbursements:				
Security of Persons and Property	531,041	89,978		621,019
Public Health Services	20,000	199,387		219,387
Leisure Time Activities	77,128			77,128
Transportation		111,544		111,544
General Government	239,877	3,000	817	243,694
Capital Outlay	7,470	44,429		51,899
Debt Service	14,225	45,763	26,520	86,508
	<u>889,741</u>	<u>494,101</u>	<u>27,337</u>	<u>1,411,179</u>
Total Cash Disbursements				
	<u>889,741</u>	<u>494,101</u>	<u>27,337</u>	<u>1,411,179</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	<u>(31,868)</u>	<u>57,751</u>	<u>185</u>	<u>26,068</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Public Debt: Sale of bonds		41,603		41,603
	<u>0</u>	<u>41,603</u>	<u>0</u>	<u>41,603</u>
Total Other Financing Sources/(Uses)				
	<u>0</u>	<u>41,603</u>	<u>0</u>	<u>41,603</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	<u>(31,868)</u>	<u>99,354</u>	<u>185</u>	<u>67,671</u>
Fund Cash Balances, January 1, As Restated (see Note 3)	<u>198,032</u>	<u>282,536</u>	<u>16,199</u>	<u>496,767</u>
Fund Cash Balances, December 31	<u>\$166,164</u>	<u>\$381,890</u>	<u>\$16,384</u>	<u>\$564,438</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$1,190,577
Miscellaneous	<u>8,941</u>
Total Operating Cash Receipts	<u>1,199,518</u>
Operating Cash Disbursements:	
Personal Services	403,357
Transportation	5,728
Contractual Services	196,349
Supplies and Materials	140,109
Capital Outlay	<u>15,921</u>
Total Operating Cash Disbursements	<u>761,464</u>
Operating Income	<u>438,054</u>
Nonoperating Cash Receipts/(Disbursements):	
Miscellaneous	(20)
Debt Service	<u>(242,648)</u>
Total Nonoperating Cash Receipts/(Disbursements)	<u>(242,668)</u>
Income before Interfund Transfers	<u>195,386</u>
Transfers-In	278,420
Transfers-out	<u>(278,420)</u>
Net Income	195,386
Fund Cash Balances, January 1, As Restated (see Note 3)	<u>539,069</u>
Fund Cash Balances, December 31	<u><u>\$734,455</u></u>

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

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$849,640	\$857,873	\$8,233
Special Revenue	396,786	593,455	196,669
Debt Service	26,540	27,522	982
Proprietary			
Enterprise	<u>1,541,464</u>	<u>1,477,938</u>	<u>(63,526)</u>
Totals (Memorandum Only)	<u>\$2,814,430</u>	<u>\$2,956,788</u>	<u>\$142,358</u>

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

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY - ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General	\$2,751	\$987,210	\$989,961
Special Revenue	6,626	545,200	551,826
Debt Service		25,000	25,000
Proprietary			
Enterprise	<u>16,854</u>	<u>1,214,800</u>	<u>1,231,654</u>
Totals (Memorandum Only)	<u><u>\$26,231</u></u>	<u><u>\$2,772,210</u></u>	<u><u>\$2,798,441</u></u>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$889,741	\$2,574	\$892,315	\$97,646
494,101	2,518	496,619	55,207
27,337		27,337	(2,337)
<u>1,282,552</u>	<u>8,177</u>	<u>1,290,729</u>	<u>(59,075)</u>
<u>\$2,693,731</u>	<u>\$13,269</u>	<u>\$2,707,000</u>	<u>\$91,441</u>

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. DESCRIPTION OF THE ENTITY

The City of New Lexington, Perry County, (the City) is a body politic and corporate 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 10.

The New Lexington City School District performs activities within the City's boundaries for the benefit of its residents and is excluded 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.

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 generally accepted accounting principles, 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.

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:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

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.

D. Budgetary Process

1. 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. 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, 1999, unencumbered fund balances. However, those fund balances are available for appropriations.

3. 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 or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. 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.

F. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. At December 31, 1999, management estimates that \$19,565 in vacation leave and \$181,435 in sick leave has been accumulated by the employees of the City. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 1999.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

3. RESTATEMENT OF PRIOR YEAR BALANCES

For 1999, the City reclassified several funds for financial statement presentation purposes. These funds were for debt service and were reclassified in order to present them in the appropriate fund type. Further, the City adjusted the General Fund balance for an expenditure transaction that should have been posted to a Special Revenue Fund. The implementation of the fund type reclassifications and adjustments had the following effects on the fund balances reported as of December 31, 1998:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Fund Balances as previously reported	\$173,142	\$302,502	\$132,229	\$16,199	\$411,764	\$1,035,836
Adjustments	<u>24,890</u>	<u>(19,966)</u>	<u>(116,030)</u>	<u>(16,199)</u>	<u>127,305</u>	<u>0</u>
Restated Fund Balances - December 31, 1998	<u>\$198,032</u>	<u>\$282,536</u>	<u>\$16,199</u>	<u>\$0</u>	<u>\$539,069</u>	<u>\$1,035,836</u>

4. 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 moneys. Interim moneys are those moneys 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 moneys 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;

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

- 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 bank, 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 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).

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 moneys deposited with 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.

The amounts available for deposit and investment are as follows:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Cash and Cash Equivalents (Carrying Amount)	\$1,360,648
Reconciling Items (Net) to Arrive at Bank Balances of Deposits	<u>(61,755)</u>
Total Available for Deposit and Investment (Bank Balance of Deposits/Carrying Amount of Investments)	<u><u>\$1,298,893</u></u>

Any depository that receives a City deposit or investment is required to pledge to the investing authority as collateral eligible securities of aggregate fair value that, when added to the portion of the deposit by the Federal Deposit Insurance Corporation, equals or exceeds the amount of City funds deposited.

A public depository may, at its option, pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current fair value at least equal to 110% of all public monies on deposit with the depository including the amount covered by federal insurance.

The Governmental Accounting Standards Board (GASB Statement No. 3) has established credit risk categories for deposits as follows:

Category 1: Deposits that are insured or collateralized with securities held by the City or its agent in the City's name;

Category 2: Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3: Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the City's name.

Based on the above criteria, the City deposits at December 31, 1999, are classified as follows:

	Category			Bank Balance	Carrying Amount
	1	2	3		
<u>Deposits:</u>					
Demand Deposits	\$100,000	\$840,648	\$0	\$940,648	\$878,893
Certificates of Deposit	299,980	60,000	60,020	420,000	420,000
Total Deposits	<u>\$399,980</u>	<u>\$900,648</u>	<u>\$60,020</u>	<u>\$1,360,648</u>	<u>\$1,298,893</u>

5. 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 reappraisal was completed for 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 semiannually, 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

5. PROPERTY TAXES (Continued)

The full tax rate applied to real property for fiscal year ended December 31, 1999 was \$5.45 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.57 per \$1,000 of assessed valuation for real property classified as residential/agricultural and was \$4.64 and per \$1,000 of assessed valuation for all other real property. 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 1999 was \$5.45 per \$1,000 of assessed valuation.

<u>Real Property - 1998 Valuation</u>	
Residential/Agricultural	\$17,206,710
Commercial/Industrial	10,009,720
Public Utility	15,470
Mineral	810
<u>Tangible Personal Property - 1998 Valuation</u>	
General	3,518,850
Public Utilities	<u>5,261,424</u>
Total	<u><u>\$36,012,984</u></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.

6. DEBT OBLIGATIONS

Debt outstanding at December 31, 1999, consisted of the following:

	<u>Principal</u>	<u>Interest Rates</u>
Water Detention Structure Mortgage Revenue Bonds	\$143,035	3.225%
Sanitary Sewer System Mortgage Revenue Bonds	1,036,000	4.500%
Swimming Pool General Obligation Bonds	270,000	5.900%
Vehicle Acquisition General Obligation Bonds	100,665	5.100 - 5.200%
General Obligation Notes	10,586	5.750% - 6.100%
Ohio Water Development Authority Loans	1,811,397	2.200% - 7.890%
Total	<u><u>\$3,371,683</u></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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

6. DEBT OBLIGATIONS (Continued)

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 and a chassis for an emergency medical services vehicle.

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 1999, the City issued \$41,603 in Vehicle Acquisition General Obligation Bonds (for the acquisition of an emergency medical services vehicle).

The annual requirements to amortize debt outstanding as of December 31, 1999, including interest payments of \$2,304,958, are as follows:

<u>Year Ending December 31</u>	<u>Water Mortgage Revenue Bonds</u>	<u>Sewer Mortgage Revenue Bonds</u>	<u>Swimming Pool General Obligation Bonds</u>	<u>Vehicle Acquisition General Obligation Bonds</u>	<u>General Obligation Notes</u>	<u>OWDA Loans</u>	<u>Total</u>
2000	\$13,809	\$56,620	\$25,930	\$27,329	\$11,853	\$192,759	\$328,300
2001	13,809	57,170	25,340	27,329	0	192,759	316,407
2002	13,809	56,675	24,750	27,329	0	192,759	315,322
2003	13,809	56,180	29,160	22,884	0	192,759	314,792
2004	13,809	56,685	23,275	9,550	0	192,759	296,078
2005 - 2009	69,045	284,605	125,460	0	0	963,796	1,442,906
2010 - 2014	41,427	284,460	130,975	0	0	792,709	1,249,571
2015 - 2019	0	284,085	49,130	0	0	0	333,215
Thereafter	<u>0</u>	<u>1,080,050</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,080,050</u>
Total	<u>\$179,517</u>	<u>\$2,216,530</u>	<u>\$434,020</u>	<u>\$114,421</u>	<u>\$11,853</u>	<u>\$2,720,300</u>	<u>\$5,676,641</u>

7. 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, 1999, the City contracted with the Gulf Insurance Group for property insurance and boiler and machinery coverage. The policies include a \$250 deductible.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

7. RISK MANAGEMENT (Continued)

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 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 Community Health Insurance for all eligible employees. The City pays 100% of all premiums. The monthly premium for this coverage is \$345.23 for family, \$227.98 for a single parent and child, \$185.23 for a couple, and \$113.99 for an individual. This insurance provides prescription drug insurance and vision insurance.

Dental coverage is provided through Delta Dental. The City pays 100% of the premium for employees. Monthly premiums for this coverage are \$57.15 and \$19.56, respectively for family and single coverage.

Life insurance coverage is provided through Ohio National Life. This provides \$15,000 of coverage for employees. Premiums, based upon the age of the employee, range from \$2.10 to \$10.80 per month. The City pays 100% of these premiums.

Vision, life, dental and hearing insurance is also provided through Ohio AFSCME Care Plan for eligible union members. The City pays 100% of the premium. The monthly premium for this coverage is \$42.00 per union member.

8. 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).

Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The Ohio Revised Code provides statutory authority for employee and employer contribution rates. The City's required contributions to PERS for the year ending December 31, 1999, was \$94,357. 100% has been contributed for 1999.

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 43125-5164.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

8. PENSION OBLIGATIONS (Continued)

B. Police and Firemen's Disability and Pension Fund (Continued)

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, 1999, was \$50,003. 100% has been contributed for 1999.

9. 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. 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 13.55% employer contribution rate for the City, 4.2% was used to fund health care for the year 1999, which amounted to \$29,251. 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.

During 1998, the expenditures for OPEB were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318 and the number of recipients eligible for OPEB payments were 115,579. Also during 1998, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. This will be effective January 1, 1998 and under this new method employer contributions equal to 4.2% of member covered payroll will be used to fund health care expense. Under the prior method, accrued liabilities and normal cost rates were determined for retirees health care coverage.

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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

9. POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

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 7.0% of covered payroll in 1999. The allocation is 7.25% in 2000. 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 post-employment benefits was \$17,951 in 1999. OP&F's total health care expense for the year ending December 31, 1998, the date of the last actuarial valuation available, was \$78,596,790, which was net of member contributions of \$5,331,515.

10. 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.

11. CONTINGENCIES

Litigation

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

12. SUBSEQUENT EVENTS

The City entered into a contractual obligation to purchase a fire rescue vehicle in 2000. This vehicle will cost approximately \$180,000. The City expects to finance a portion of the vehicle cost through the issuance of notes or bonds in the amount of approximately \$70,000. The balance of the cost will be paid from cash accumulated by the City in the Fire and EMS Fund and through grant proceeds.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of New Lexington
Perry County
125 South Main Street
New Lexington, Ohio 43764

To the City Council:

We have audited the financial statements of the City of New Lexington, Perry County, Ohio (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated March 28, 2000, wherein we noted that the City had not adopted generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards 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*, which is described in the accompanying Schedule of Findings as item 1999-21064-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated March 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated March 28, 2000.

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

Jim Petro
Auditor of State

March 28, 2000

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

Finding Number 1999-21064-001

Ohio Admin. Code § 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. 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 generally accepted accounting principles. 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 that the City take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
1998-21064-001	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 1999-21064-001 for 1999.
1998-21064-002	A noncompliance citation was issued under Ohio Rev. Code § 5705.41(D) for failing to obtain prior certification of available funds.	No	Partially Corrected: The significance of the noncompliance has been reduced and reported only in the Management Letter for 1999.
1998-21064-003	A material weakness was noted regarding the City's Year 2000 compliance for the financial reporting, income tax collection and payroll systems.	Yes	The City was able to complete 1999 and begin year 2000 operations with only minor difficulties. The City is replacing their software programs in 2000.



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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
MAY 2, 2000**