



Dave Yost • Auditor of State

VILLAGE OF NEW LEXINGTON
PERRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	13
Statement of Activities – Cash Basis.....	14
Fund Financial Statements:	
Statement of Assets and Fund Balance – Cash Basis – Governmental Funds.....	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds.....	16
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.....	17
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire & EMS Levy Fund	18
Statement of Fund Net Position – Cash Basis – Proprietary Funds	19
Statement of Receipts, Disbursements and Changes in Fund Net Position – Cash Basis – Proprietary Funds.....	20
Notes to the Basic Financial Statements	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39
Schedule of Findings.....	41
Schedule of Prior Audit Findings.....	46

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of New Lexington
Perry County
215 South Main Street
New Lexington, Ohio 43764

To Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of New Lexington, Perry County, Ohio (the Village), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of New Lexington, Perry County, Ohio, as of December 31, 2013, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and Fire and EMS Levy Fund thereof for the year then ended in accordance with accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 2 to the financial statements, during 2013, the Village has elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

As discussed in Note 14 to the financial statements, the Village has suffered recurring losses from operations and has a net position deficiency. Note 14 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Supplemental and Other Information

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, governmental activities, fund balances, and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2014

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Village of New Lexington
Perry County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The management's discussion and analysis of the Village of New Lexington's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2013, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- The total net position of the Village increased \$146,471. Net position of governmental activities decreased \$131,762 and net position of business-type activities increased \$278,233 from 2012.
- General cash receipts of Governmental Activities totaled \$1,179,431 and amounted to 60% of total cash receipts. Program specific cash receipts accounted for \$788,738 or 40% of total governmental activities cash receipts. Total governmental activities cash receipts for 2013 were \$1,968,169.
- The Village had \$2,099,931 in cash disbursements related to governmental activities; \$788,738 of these cash disbursements were offset by program specific charges for services and sales, grants or contributions. The remaining cash disbursements of the governmental activities of \$1,311,193 were partially offset by general cash receipts (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$1,179,431 and beginning net asset balances of (\$377,776).
- The Village's major governmental funds are the General Fund, the Fire and EMS Levy Special Revenue Fund, and Pool Improvement Bond Debt Service Fund. The General Fund had cash receipts and other financing sources of \$1,177,094 and cash disbursements of \$1,244,059. The net decrease in fund balance for the General Fund was \$66,965.
- The Fire and EMS Levy Fund had cash receipts and other financing sources of \$496,199 and cash disbursements of \$513,833. The net decrease in fund balance was \$17,634.
- The Pool Improvement Bond Fund had cash receipts of \$28,626 and cash disbursements of \$26,164. The net increase in fund balance was \$2,462.
- The Water Fund had cash receipts \$1,171,636 and cash disbursements of \$896,732 in 2013. The net change in net position was an increase of \$274,904.
- The Sewer Fund had cash receipts of \$782,213 and cash disbursements of \$783,824 in 2013. The net change in net position was a decrease of \$1,611.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting.

The statement of net position—cash basis and statement of activities—cash basis provide information about the activities of the Village as a whole, presenting an aggregate view of the Village's cash basis finances. Fund financial statements provide the next level of detail. The fund financial statements look at the Village's most significant funds with all other nonmajor funds presented in total in one column.

Village of New Lexington
Perry County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Since the Village uses the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded on these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

Statement of Net Position and the Statement of Activities

A general question typically asked about the Village's finances is "How did we do financially during 2013?" The statement of net position-cash basis and the statement of activities-cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's cash receipts and cash disbursements if the cash is actually received or paid.

These two statements report the Village's net position and changes in that position on a cash basis. This change in net position is important because it tells the reader that, for the Village as a whole, the financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position-cash basis and the statement of activities-cash basis, the Village is divided into two distinct kinds of activities:

Governmental activities - Most of the Village's programs and services are reported here including police, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental receipts including federal and state grants and other shared receipts.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the disbursements for the goods or services provided. The Village's water and sewer operations are reported here.

Reporting the Village's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate the money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Village of New Lexington
Perry County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Governmental Funds

Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Fire and EMS Levy Fund, and Pool Improvement Bond Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the government-wide statements.

Proprietary Funds

When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Water Fund and Sewer Fund, which are used to account for its water and sewer functions.

The Village of New Lexington as a Whole

Recall that the statement of net position—cash basis provides the perspective of the Village as a whole.

The table below provides a summary of the Village's net position for 2013.

	Net Position	
	Governmental Activities	Business-Type Activities
	2013	2013
Assets:		
Cash and investments	(\$509,538)	\$944,490
Total assets	(\$509,538)	\$944,490
Net position:		
Restricted	\$170,372	\$0
Unrestricted (deficit)	(679,910)	944,490
Total net position	(\$509,538)	\$944,490

The total net position of the Village was \$434,952.

Village of New Lexington
Perry County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The table below provides a summary of the Village's net position for 2013.

	Change in Net Position	
	Governmental	Business-Type
	Activities	Activities
	2013	2013
Cash receipts:		
Program cash receipts:		
Charges for services and sales	\$569,845	\$1,945,951
Operating grants and contributions	218,893	0
Capital grants and contributions	0	11,870
Total program cash receipts	788,738	1,957,821
General cash receipts:		
Property taxes	172,740	0
Income taxes	748,863	0
Other local taxes	6,749	0
Unrestricted grants and entitlements	71,958	0
Sale of Capital Assets	60,813	0
Interest	2,417	0
Cable franchise fees	28,125	0
Miscellaneous	87,766	21,050
Total general cash receipts	1,179,431	21,050
Total cash receipts	1,968,169	1,978,871
Cash disbursements:		
General government	337,309	0
Security of persons and property	1,169,487	0
Leisure time activities	14,545	0
Health	36,944	0
Transportation	220,796	0
Capital outlay	57,433	0
Debt service:		
Principal	174,370	0
Interest and fiscal charges	89,047	0
Water	0	916,814
Sewer	0	783,824
Total cash disbursements	2,099,931	1,700,638
Change in net position	(131,762)	278,233
Net position, beginning of year	(377,776)	666,257
Net position, end of year	(\$509,538)	\$944,490

Village of New Lexington
Perry County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Governmental activities net position decreased \$131,762 in 2013. Security of persons and property, which primarily supports the operations of the police, fire, and emergency medical services departments, accounted for \$1,169,487 of the total cash disbursements of the Village. General cash receipts totaled \$1,179,431 and amounted to 60% of total cash receipts. General cash receipts primarily consist of property and income tax receipts, and unrestricted grants and entitlements.

The statement of activities-cash basis shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted grants and entitlements. The Village is highly dependent upon property and income taxes as well as charges for services to support its governmental activities.

Governmental Activities
Program Cash Receipts vs. Total Cash Disbursements

	Total Cost of Services 2013	Net Cost of Services 2013
Program cash disbursements:		
General government	\$337,309	(\$308,435)
Security of persons and property	1,169,487	(641,036)
Leisure time activity	14,545	(2,790)
Community Environment	0	6,568
Health	36,944	(36,944)
Transportation	220,796	(7,706)
Capital outlay	57,433	(57,433)
Debt service:		
Principal	174,370	(174,370)
Interest and fiscal charges	89,047	(89,047)
Total	\$2,099,931	(\$1,311,193)

Business-Type Activities

Business-type activities include the water and sewer funds. These major funds had program cash receipts of \$1,957,821, general cash receipts of \$21,050 and cash disbursements of \$1,700,638 for 2013.

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Village's governmental funds are accounted for using the cash basis of accounting.

Village of New Lexington
Perry County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The Village's governmental funds reported a combined fund cash balance of (\$509,538). The schedule below indicates the fund cash balance as of December 31, 2013 for all major and nonmajor governmental funds.

	Fund Balances (Deficits) 12/31/13
Major funds:	
General	(\$268,540)
Fire and EMS Levy	(411,370)
Pool Improvement Bond	54,391
Other governmental funds	115,981
Total	(\$509,538)

Budgeting Highlights - General Fund

The Village's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Village's appropriations which are restricted by the amounts of anticipated receipts certified by the County Budget Commission in accordance with the ORC. Therefore, the Village's plans or desires cannot be totally reflected in the original budget. If budgeted receipts are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General Fund and Fire and EMS Levy Fund. In the General Fund, the actual cash receipts and other financing sources were \$1,177,094 and actual cash disbursements were \$1,248,588.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as cash disbursements. The Village had capital outlay cash disbursements of \$57,433 in governmental funds and \$22,167 in enterprise funds during 2013.

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2013:

	Governmental Activities 2013
General obligation bonds	\$65,000
General obligation notes	1,781,510
Total long-term obligations	\$1,846,510

Village of New Lexington
Perry County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

	Business-Type Activities
	<u>2013</u>
Sanitary Sewer revenue bonds	\$843,000
OWDA loans	2,659,197
OPWC loans	<u>390,982</u>
Total long-term obligations	<u><u>\$3,893,179</u></u>

See Note 11 to the basic financial statements for more detail on the Village's long-term debt obligations.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Heather Rockwell, Finance Director, Village of New Lexington, 215 South Main Street, New Lexington, Ohio 43764.

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Village of New Lexington
Perry County
Statement of Net Position - Cash Basis
December 31, 2013

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	(\$509,538)	\$944,490	\$434,952
<i>Total Assets</i>	<u>(\$509,538)</u>	<u>\$944,490</u>	<u>\$434,952</u>
Net Position			
Restricted for:			
Debt Service	\$54,391		\$54,391
Other Purposes	115,981		115,981
Unrestricted	(679,910)	\$944,490	264,580
<i>Total Net Position</i>	<u>(\$509,538)</u>	<u>\$944,490</u>	<u>\$434,952</u>

See accompanying notes to the basic financial statements

Village of New Lexington
Perry County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2013

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
Security of Persons and Property	\$1,169,487	\$522,701	\$5,750		(\$641,036)		(\$641,036)
Public Health Services	36,944				(36,944)		(36,944)
Leisure Time Activities	14,545	11,755			(2,790)		(2,790)
Community Environment		6,515	53		6,568		6,568
Transportation	220,796		213,090		(7,706)		(7,706)
General Government	337,309	28,874			(308,435)		(308,435)
Capital Outlay	57,433				(57,433)		(57,433)
Debt Service:							
Principal Retirement	174,370				(174,370)		(174,370)
Interest and Fiscal Charges	89,047				(89,047)		(89,047)
<i>Total Governmental Activities</i>	<u>2,099,931</u>	<u>569,845</u>	<u>218,893</u>	<u>\$0</u>	<u>(1,311,193)</u>	<u>\$0</u>	<u>(1,311,193)</u>
Business-Type Activities							
Water Operating	896,732	1,161,301				264,569	264,569
Sewer Operating	783,824	759,628		11,870		(12,326)	(12,326)
Guaranteed Water Deposits	20,082	25,022				4,940	4,940
<i>Total Business-Type Activities</i>	<u>1,700,638</u>	<u>1,945,951</u>	<u>0</u>	<u>11,870</u>	<u>0</u>	<u>257,183</u>	<u>257,183</u>
<i>Total Primary Government</i>	<u>\$3,800,569</u>	<u>\$2,515,796</u>	<u>\$218,893</u>	<u>\$11,870</u>	<u>(1,311,193)</u>	<u>257,183</u>	<u>(1,054,010)</u>
General Receipts:							
Property Taxes					172,740		172,740
Other Local Taxes					6,749		6,749
Income Taxes					748,863		748,863
Grants and Entitlements not Restricted to Specific Programs					71,958		71,958
Sale of Capital Assets					60,813		60,813
Cable Franchise Fees					28,125		28,125
Earnings on Investments					2,417		2,417
Miscellaneous					87,766	21,050	108,816
<i>Total General Receipts</i>					<u>1,179,431</u>	<u>21,050</u>	<u>1,200,481</u>
Change in Net Position					(131,762)	278,233	146,471
<i>Net Position Beginning of Year</i>					<u>(377,776)</u>	<u>666,257</u>	<u>288,481</u>
<i>Net Position End of Year</i>					<u>(\$509,538)</u>	<u>\$944,490</u>	<u>\$434,952</u>

See accompanying notes to the basic financial statements

Village of New Lexington
Perry County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2013

	<u>General</u>	<u>Fire & EMS Levy</u>	<u>Pool Bond</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>(\$268,540)</u>	<u>(\$411,370)</u>	<u>\$54,391</u>	<u>\$115,981</u>	<u>(\$509,538)</u>
<i>Total Assets</i>	<u><u>(\$268,540)</u></u>	<u><u>(\$411,370)</u></u>	<u><u>\$54,391</u></u>	<u><u>\$115,981</u></u>	<u><u>(\$509,538)</u></u>
Fund Balances					
Restricted			\$54,391	\$115,981	\$170,372
Unassigned (Deficit)	<u>(\$268,540)</u>	<u>(\$411,370)</u>			<u>(679,910)</u>
<i>Total Fund Balances</i>	<u><u>(\$268,540)</u></u>	<u><u>(\$411,370)</u></u>	<u><u>\$54,391</u></u>	<u><u>\$115,981</u></u>	<u><u>(\$509,538)</u></u>

See accompanying notes to the basic financial statements

Village of New Lexington
Perry County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2013

	General	Fire & EMS Levy	Pool Bond	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$748,863				\$748,863
Property Taxes	62,734	\$69,693	\$26,840	\$13,473	172,740
Other Local Taxes				6,749	6,749
Intergovernmental	64,906	10,122	1,786	213,984	290,798
Charges for Services	188,440	346,016			534,456
Fines, Licenses and Permits	60,173	1,187		2,154	63,514
Earnings on Investments	2,103			314	2,417
Miscellaneous	49,875	8,368		29,576	87,819
<i>Total Receipts</i>	<u>1,177,094</u>	<u>435,386</u>	<u>28,626</u>	<u>266,250</u>	<u>1,907,356</u>
Disbursements					
Current:					
Security of Persons and Property	766,380	402,405		702	1,169,487
Public Health Services				36,944	36,944
Leisure Time Activities	13,396		1,149		14,545
Transportation				220,796	220,796
General Government	337,309				337,309
Capital Outlay				57,433	57,433
Debt Service:					
Principal Retirement	50,395	103,975	20,000		174,370
Interest and Fiscal Charges	76,579	7,453	5,015		89,047
<i>Total Disbursements</i>	<u>1,244,059</u>	<u>513,833</u>	<u>26,164</u>	<u>315,875</u>	<u>2,099,931</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(66,965)</u>	<u>(78,447)</u>	<u>2,462</u>	<u>(49,625)</u>	<u>(192,575)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets		60,813			60,813
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>60,813</u>	<u>0</u>	<u>0</u>	<u>60,813</u>
<i>Net Change in Fund Balances</i>	<u>(66,965)</u>	<u>(17,634)</u>	<u>2,462</u>	<u>(49,625)</u>	<u>(131,762)</u>
<i>Fund Balances Beginning of Year</i>	<u>(201,575)</u>	<u>(393,736)</u>	<u>51,929</u>	<u>165,606</u>	<u>(377,776)</u>
<i>Fund Balances End of Year</i>	<u>(\$268,540)</u>	<u>(\$411,370)</u>	<u>\$54,391</u>	<u>\$115,981</u>	<u>(\$509,538)</u>

See accompanying notes to the basic financial statements

Village of New Lexington
Perry County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$877,635	\$778,735	\$748,863	(\$29,872)
Property Taxes	53,978	62,765	62,734	(31)
Other Local Taxes	31,650			0
Intergovernmental	49,787	50,000	64,906	14,906
Charges for Services	212,600	179,200	188,440	9,240
Fines, Licenses and Permits	59,350	61,500	60,173	(1,327)
Earnings on Investments	2,500	2,500	2,103	(397)
Miscellaneous	11,100	44,500	49,875	5,375
<i>Total Receipts</i>	<u>1,298,600</u>	<u>1,179,200</u>	<u>1,177,094</u>	<u>(2,106)</u>
Disbursements				
Current:				
Security of Persons and Property	609,598	781,155	769,645	11,510
Leisure Time Activities	17,950	16,344	14,479	1,865
General Government	523,218	355,983	337,490	18,493
Debt Service:				
Principal Retirement		50,395	50,395	
Interest and Fiscal Charges		76,579	76,579	
<i>Total Disbursements</i>	<u>1,150,766</u>	<u>1,280,456</u>	<u>1,248,588</u>	<u>31,868</u>
<i>Net Change in Fund Balance</i>	147,834	(101,256)	(71,494)	29,762
<i>Unencumbered Fund Balance Beginning of Year</i>	(203,510)	(203,510)	(203,510)	0
Prior Year Encumbrances Appropriated	<u>1,935</u>	<u>1,935</u>	<u>1,935</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>(\$53,741)</u>	<u>(\$302,831)</u>	<u>(\$273,069)</u>	<u>\$29,762</u>

See accompanying notes to the basic financial statements

Village of New Lexington
Perry County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire & EMS Levy
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Property Taxes	\$59,759	\$67,145	\$69,693	\$2,548
Intergovernmental	7,386	9,500	10,122	622
Charges for Services	353,855	297,645	346,016	48,371
Fines, Licenses and Permits	1,000	1,000	1,187	187
Miscellaneous	62,000	(51,813)	8,368	60,181
<i>Total Receipts</i>	<u>484,000</u>	<u>323,477</u>	<u>435,386</u>	<u>111,909</u>
Disbursements				
Current:				
Security of Persons and Property	479,585	443,268	405,738	37,530
Debt Service:				
Principal Retirement		103,975	103,975	0
Interest and Fiscal Charges		7,453	7,453	0
<i>Total Disbursements</i>	<u>479,585</u>	<u>554,696</u>	<u>517,166</u>	<u>37,530</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,415</u>	<u>(231,219)</u>	<u>(81,780)</u>	<u>149,439</u>
Other Financing Sources (Uses)				
Sale of Capital Assets		60,813	60,813	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>60,813</u>	<u>60,813</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	4,415	(170,406)	(20,967)	149,439
<i>Unencumbered Fund Balance Beginning of Year</i>	(393,975)	(393,975)	(393,975)	0
Prior Year Encumbrances Appropriated	239	239	239	0
<i>Unencumbered Fund Balance End of Year</i>	<u>(\$389,321)</u>	<u>(\$564,142)</u>	<u>(\$414,703)</u>	<u>\$149,439</u>

See accompanying notes to the basic financial statements

Village of New Lexington
Perry County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2013

	Business-Type Activities			Total Enterprise Funds
	Water Operating	Sewer Operating	Other Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$638,683	\$230,742	\$75,065	\$944,490
<i>Total Assets</i>	<u>\$638,683</u>	<u>\$230,742</u>	<u>\$75,065</u>	<u>\$944,490</u>
Net Position				
Unrestricted	\$638,683	\$230,742	\$75,065	\$944,490
<i>Total Net Position</i>	<u>\$638,683</u>	<u>\$230,742</u>	<u>\$75,065</u>	<u>\$944,490</u>

See accompanying notes to the basic financial statements

Village of New Lexington
Perry County
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities			Total Enterprise Funds
	Water Operating	Sewer Operating	Other Enterprise Funds	
Operating Receipts				
Charges for Services	\$1,161,301	\$759,628	\$25,022	\$1,945,951
Miscellaneous	10,335	10,715		21,050
<i>Total Operating Receipts</i>	<u>1,171,636</u>	<u>770,343</u>	<u>25,022</u>	<u>1,967,001</u>
Operating Disbursements				
Personal Services	194,713	195,667		390,380
Employee Fringe Benefits	93,951	72,063		166,014
Contractual Services	175,606	218,955		394,561
Supplies and Materials	200,188	122,470		322,658
Other	2,675		20,082	22,757
<i>Total Operating Disbursements</i>	<u>667,133</u>	<u>609,155</u>	<u>20,082</u>	<u>1,296,370</u>
<i>Operating Income (Loss)</i>	<u>504,503</u>	<u>161,188</u>	<u>4,940</u>	<u>670,631</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental		11,870		11,870
Capital Outlay	(11,083)	(11,084)		(22,167)
Principal Retirement	(177,525)	(101,699)		(279,224)
Interest and Other Fiscal Charges	(40,991)	(61,886)		(102,877)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(229,599)</u>	<u>(162,799)</u>		<u>(392,398)</u>
<i>Change in Net Position</i>	274,904	(1,611)	4,940	278,233
<i>Net Position Beginning of Year</i>	<u>363,779</u>	<u>232,353</u>	<u>70,125</u>	<u>666,257</u>
<i>Net Position End of Year</i>	<u>\$638,683</u>	<u>\$230,742</u>	<u>\$75,065</u>	<u>\$944,490</u>

See accompanying notes to the basic financial statements

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 1 – Reporting Entity

The Village of New Lexington, Perry County (the Village), is a home rule municipal corporation established under the laws of the State of Ohio. The Village operates under its own Charter, a home-rule municipality as defined by Title 7 of the Ohio Revised Code. The Village operates under a Council-Mayor form of government. The Mayor and seven council members are elected by separate ballot from the municipality at large for four year terms. President of Council is elected by a majority vote of Council from among its membership for a term of one year. The Mayor may not veto any legislation passed by Council. In addition to establishing Village policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operations of the Village and for appointing the heads of the various Village departments. An appointed finance director is responsible for the fiscal control of the financial resources of the Village.

The reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village provides the following services to its citizens: police, fire and EMS protection, parks and recreation, building inspection, street maintenance and repairs, and water and sewer services. Council has direct responsibility for these services.

Jointly Governed Organizations

The Village is associated with the New Lexington-Pike Township Union Cemetery, which is defined as a jointly governed organization. This organization is presented in Note 13 to the basic financial statements.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements and program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund – The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire and EMS Levy Fund – The Fire and EMS Levy Fund receives tax, intergovernmental, and charges for services receipts which are used to provide fire protection and emergency medical services to Village residents and the residents of other political subdivisions that have contracted with the Village.

Pool Improvement Bond Fund – The Pool Improvement Bond Fund receives tax and intergovernmental receipts which are used to service debt issued for the improvement of the Village pool.

The other governmental funds of the Village account for grants and other resources whose use is restricted for a particular purpose.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The Village's proprietary funds are classified as enterprise funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund – The Water Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established by the Village Council at the fund, program, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2013, the Village invested in certificates of deposit which are reported at cost. Interest earnings are allocated to Village funds according to State statutes and codified ordinances of the Village, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 was \$2,103 which includes \$1,787 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted. The Village did not have any restricted assets during 2013.

Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. The Village did not have interfund receivables/payables during 2013.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying receipts; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

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

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Village did not report any transfers during 2013.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budget basis presented for the General Fund and Fire and EMS Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a restriction, commitment or assignment of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$4,530
Fire and EMS Fund	3,333

Note 4 – Compliance and Accountability

Negative Cash Fund Balances

The Village had negative fund balances in the General Fund and Fire and EMS Levy Fund at December 31, 2013, which is contrary to Ohio Revised Code Section 5705.10 (I).

Appropriations Exceeding Actual Resources

The Village had appropriations in excess of actual resources in the General Fund and Fire and EMS Levy Fund, which is contrary to Ohio Revised Code Section 5705.36 (A)(4).

Appropriations Exceeding Estimated Resources

The Village had appropriations in excess of estimated resources in the General Fund and Fire and EMS Levy Fund, which is contrary to Ohio Revised Code Section 5705.39.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village 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 current five year period of designation of depositories. Inactive deposits must either be 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 held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency 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;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

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 Village, and must be purchased with the expectation that it will be held to maturity.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village’s bank balance of \$379,252 was either insured by the Federal Deposit Insurance Corporation or collateralized by pledged securities of its banking institution as described below.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Village’s certificate of deposit balance of \$76,405, with a maturity of 6 months or less, was insured by the Federal Deposit Insurance Corporation.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk – The certificate of deposit is not exposed to credit risk. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Concentration of Credit Risk – The Village has not established an investment policy dealing with concentration of credit risk beyond the requirements established within state statutes. 100% of the Village’s investments are in a nonnegotiable certificate of deposit.

Reconciliation of Cash and Investments

The Village’s equity in pooled cash and investments of \$434,952 at December 31, 2013 is comprised of the carrying amount of the Village’s deposits and investments (certificate of deposit) of \$358,547 and \$76,405, respectively.

Note 6 – Income Taxes

The Village levies a 1% income tax on substantially all income earned in the Village. In addition, Village residents employed in other municipalities withholding income tax receive a reciprocity credit of ½%. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration. Income tax receipts are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2013, the receipts were allocated to the General Fund in the amount of \$748,863.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 7 – Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Village. Property tax receipts received during 2013 for real and public utility property taxes represents collections of 2012 taxes..

2013 real property taxes are levied after October 1, 2013, on assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually and semi-annually. 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. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2013 was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2013 tax collections were based was \$134,829,743. This amount consisted of \$127,187,314 and \$7,642,429 of real property assessed value and public utility property assessed value, respectively.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 8 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013:

	2012	2013
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	\$20,181,216	\$21,651,689

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Government's share of these unpaid claims collectible in future years is approximately \$47,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

During 2013, the Village made contributions to PEP in the amount of \$66,764

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

**Village of New Lexington
Perry County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtm>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans.

The member contribution rate was 10.0% of covered payroll for members in state and local classifications.

The employer contribution rate for state and local employers was 14.0%, of covered payroll.

The Village's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$129,198, \$104,166, and \$103,606, respectively, which were equal to the required contributions for those years. The full amount has been contributed for 2013, 2012, and 2011.

Ohio Police and Fire Pension Fund

The Village 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 pension 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 information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or visiting OP&F's website at www.op-f.org.

Plan members were required to contribute 10.0% of their annual covered salary from January 1, 2013 through July 1, 2013. For July 1, 2013 through December 31, 2013 plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, Employers were required to contribute 19.5% for police officers. The Village's contributions to OP&F for the years ending December 31, 2013, 2012, and 2011 were \$48,341, \$41,520, and \$39,964, respectively. The full amount has been contributed for 2013, 2012, and 2011.

Note 10 – Postemployment Benefits

Ohio Public Employees Retirement System

- A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Village contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$9,225 for 2013, \$41,666 for 2012, and \$41,442 for 2011. The full amount has been contributed for 2013, 2012, and 2011.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy –The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 thru December 31, 2013. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F allocated to the health care plan for the years ending December 31, 2013, 2012, and 2011 were \$9,116, \$21,981, and \$21,157, respectively. The full amount has been contributed for 2013, 2012, and 2011.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 11 – Debt

The Village’s long-term debt activity for the year ended December 31, 2013, was as follows:

	Interest Rate	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
<i>Governmental Activities</i>						
Swimming Pool G.O.						
Bonds	5.9%	\$85,000	\$0	(\$20,000)	\$65,000	\$20,000
Municipal Building Note	4.5%	1,141,700	0	(23,440)	1,118,260	25,619
Fire Truck Note	4.5%	11,864	0	(11,864)	0	0
Building Note	4.5%	560,970	0	(20,540)	540,430	21,753
Police SUV Note	3.45%	30,042	0	(7,117)	22,925	7,377
Squad Note	3.623%	172,678	0	(72,783)	99,895	40,864
Fire Dept Truck	3.45%	19,321	0	(19,321)	0	0
Total Governmental Activities		<u>\$2,021,575</u>	<u>\$0</u>	<u>(\$175,065)</u>	<u>\$1,846,510</u>	<u>\$115,613</u>
<i>Business-Type Activities</i>						
Sanitary Sewer System Revenue Bonds	4.5%	861,000	0	(18,000)	843,000	19,000
Ohio Water Development Authority Loans	1.5%-7.89%	2,881,816	12,393	(235,012)*	2,659,197	115,737
Ohio Public Works Commission Loans	0.0%-2.0%	418,243	0	(27,261)	390,982	11,471
Total Business-Type Activities		<u>\$4,161,059</u>	<u>\$12,393</u>	<u>(\$280,273)</u>	<u>\$3,893,179</u>	<u>\$146,208</u>

* OWDA finalized a loan in 2013 and applied an unused portion of the loan for project 4700 to the principal balance of the loan. Reductions shown above include the applied amount of \$1,750.

Revenue bonds are obligations of the Village 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 improvement issues.

General obligation bonds are direct obligations of the Village for which its full faith, credit and resources are pledged and payable from taxes levied on all property in the Village. Outstanding general obligation bonds consist of a swimming pool construction issue.

General obligation notes are direct obligations of the Village for which its full faith, credit and resources are pledged and payable from taxes levied on all property in the Village.

The Ohio Water Development Authority (OWDA) Loans are payable from user charges assessed for water and sewer services. These loans were used to make water and sewer system improvements. During 2013, OWDA disbursed \$12,393 for sludge dewatering projects.

The Ohio Public Works Commission (OPWC) Loans are for the construction of a sewer pumping station and equalization basin project and wastewater treatment plant.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5% of its tax valuation.

The following is a summary of the Village's future annual debt service requirements at December 31, 2013 for governmental activities:

Year	Swimming Pool Bond		Municipal Building Note	
	Principal	Interest	Principal	Interest
2014	\$20,000	\$3,835	\$25,619	\$49,353
2015	20,000	2,655	26,785	48,187
2016	25,000	1,475	27,872	47,101
2017	0	0	29,273	45,700
2018	0	0	30,605	44,368
2019-2023	0	0	175,091	199,771
2024-2028	0	0	803,015	142,814
Total	\$65,000	\$7,965	\$1,118,260	\$577,294

Year	Police SUV Note		Building Note	
	Principal	Interest	Principal	Interest
2014	\$7,377	\$727	\$21,753	\$24,068
2015	7,633	471	22,743	23,078
2016	7,915	205	23,716	22,106
2017	0	0	24,858	20,964
2018	0	0	25,989	19,833
2019-2023	0	0	148,740	80,369
2024-2028	0	0	185,806	43,303
2029-2030	0	0	86,825	4,924
Total	\$22,925	\$1,403	\$540,430	\$238,645

Year	Squad Note	
	Principal	Interest
2014	\$40,864	\$3,083
2015	42,494	1,452
2016	16,537	141
Total	\$99,895	\$4,676

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The following is a summary of the Village's future annual debt service requirements at December 31, 2013 for business-type activities:

Year	Sanitary Sewer Bonds	
	Principal	Interest
2014	\$19,000	\$37,935
2015	20,000	37,080
2016	20,000	36,180
2017	22,000	35,235
2018	23,000	34,245
2019-2023	129,000	155,205
2024-2028	160,000	123,435
2029-2033	201,000	83,700
2034-2038	249,000	34,695
Total	\$843,000	\$577,710

Year	OWDA Loans*		OPWC Loans	
	Principal	Interest	Principal	Interest
2014	\$111,904	\$23,873	\$11,471	\$2,007
2015	101,244	36,777	23,148	2,925
2016	102,910	35,114	23,429	2,642
2017	104,599	32,723	23,715	2,356
2018	106,318	31,703	24,006	2,064
2019-2023	558,406	131,702	120,733	5,833
2024-2028	578,060	84,257	63,299	510
2029-2033	405,086	44,564	33,727	0
2034-2038	341,486	13,335	33,727	0
2039-2041	0	0	33,727	0
Total	\$2,410,013	\$434,048	\$390,982	\$18,377

*The amortization schedule above for OWDA loans (loan 5837 with a principal balance outstanding at December 31, 2013 of \$249,184) was not yet finalized. Therefore the above amortization schedule does not include principal and interest for the OWDA loan 5837.

Additionally, the Village has entered into a lease agreement for a backhoe to be used by various Village departments. Annual lease payments of \$16,401 are due in years 2014 through 2017.

**Village of New Lexington
Perry County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Note 12 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Fire & EMS Levy	Pool Bond	Other Governmental Funds	Total
Restricted for					
Road Improvements				\$63,577	\$63,577
Police Operations				18,963	18,963
Drug & Alcohol Education & Enforcement				16,377	16,377
Cemetery				1,718	1,718
Community Development				15,346	15,346
Debt Service			\$54,391		54,391
<i>Total Restricted</i>	\$0	\$0	54,391	115,981	170,372
Unassigned (deficits):	(268,540)	(411,370)			(679,910)
<i>Total Fund Balances</i>	(\$268,540)	(\$411,370)	\$54,391	\$115,981	(\$509,538)

Note 13 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

In 2010, the Village entered into a joint use agreement with Hocking Technical College in which the Village agreed to receive \$750,000 in capital funds to be used to finance a portion of the Village’s fire department building project. In exchange for the capital funds, the Village agreed to allow Hocking Technical College to use the Village’s fire department facilities as a training laboratory for Hocking Technical College’s Fire Science and EMT program for a period of 20 years. If the Village terminates this agreement prior to the agreed upon 20 year time period, the Village must pay back a percentage of the \$750,000 in capital funds.

The Village is defendant in several lawsuits. Management believes the resolution of these matters will not materially adversely affect the Village’s financial condition.

Note 14 – Jointly Governed Organization

The New Lexington-Pike Township Union Cemetery (the Cemetery) Board of Trustees are appointed by the Village and Pike Township. Taxes levied by the Village for cemetery maintenance are collected by the Perry County Auditor, distributed to the Village, and then forwarded to the Cemetery. The Cemetery is a legally-separate entity that prepares and files its own financial statements. Financial statements can be obtained from the Clerk/Treasurer of the Cemetery at 440 Swigart Street, New Lexington, Ohio 43764.

Village of New Lexington
Perry County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 15 – Financial Condition

As of December 31, 2013, the Village had a cash-basis governmental activities net position deficiency of \$509,538 and deficit cash-basis fund balances of \$268,540 and \$411,370 in its General Fund and Fire and EMS Fund, respectively. Further, for the year ended December 31, 2013 the Village had cash-basis losses from governmental operations of \$131,762. The Village's management is implementing a combination of cost-cutting and receipt-enhancing changes and other changes (as is determined necessary by Village Council) to address these deficits and negative governmental cash-basis results of operations.



Dave Yost • Auditor of State

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

Village of New Lexington
Perry County
215 South Main Street
New Lexington, Ohio 43764

To Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of New Lexington, Perry County, Ohio (the Village), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 10, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the Village elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standards*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-006 described in the accompanying Schedule of Findings to be material weaknesses.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-005.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2014

VILLAGE OF NEW LEXINGTON
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 5705.09(D) states, in part, that each subdivision shall establish a special fund for each special levy. The Village has two continuous levies related to public safety: a 1.0 mill fire levy approved by vote on May 8, 1984 and a 2.0 mill fire and emergency medical services levy approved by vote on November 3, 1987.

Contrary to Ohio Revised Code Section 5705.09(D), the Village has been recording the levy collections of these two separate levies into one fund, the Fire and EMS Fund.

We recommend the Village establish a fire fund and record the fire levy receipts and related fire disbursements into this fund as required.

Officials' Response: A Fire Levy Fund was established separate from the Fire & EMS Levy Fund on April 16, 2014.

FINDING NUMBER 2013-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purposes which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2013, the General Fund and Fire and EMS Levy Fund had negative fund balances of \$268,540 and \$411,370, respectively.

In addition, police payroll disbursements in the amount of \$61,864 were charged to the Water (\$30,932) and Sewer (\$30,932) funds instead of the General Fund. This adjustment, which was agreed to by management, to move these disbursements from the Water and Sewer Funds to the General Fund was posted to the financial statements and to the Village's accounting system.

We recommend available fund cash balances be reviewed regularly to evaluate the reasoning behind a negative cash balance and determine how to correct the situation when necessary. The Village's management should ensure that money from one fund is not used to cover the expenses of another fund.

Officials' Response: Adjustments were made in 2014 for all 2014 posting of Police wages to Water and Sewer. In addition, the allocation of Police wages was changed in the payroll system so that all Police wages are applied to the General Fund.

VILLAGE OF NEW LEXINGTON
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013
(Continued)

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

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code § 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the budget commission, and the commission shall certify an amended official certificate reflecting the deficiency.

For the year ended December 31, 2013, appropriations exceeded the beginning balance plus actual receipts in the General Fund and Fire and EMS Levy Fund by \$264,634 and \$451,998, respectively.

Estimated receipts exceeded actual receipts and the deficiency reduced available resources below the level of current appropriations in the General Fund by \$2,106.

Failure to obtain reduced amended certificates of estimated resources and to make corresponding reductions in appropriations could result in deficit spending.

We recommend that Village management review budgeted and actual receipts regularly to determine whether amended certificates of estimated resources are needed. When it is known that actual receipts will fall short of estimates, the Village should obtain a reduced amended certificate for the deficiency and reduce appropriations accordingly.

Officials' Response: We did not receive a response from officials for this finding.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total estimated revenue available for expenditure.

Appropriations exceeded estimated resources at December 31, 2013 in the General Fund and Fire and EMS Fund by \$262,528 and \$563,907, respectively.

We recommend that Village management monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources. Allowing appropriations to exceed estimated resources can result in overspending and deficit fund balances.

Officials' Response: We did not receive a response from officials for this finding.

VILLAGE OF NEW LEXINGTON
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013
(Continued)

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

FINDING NUMBER 2013-005

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the fiscal officer can certify that both at the time 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 encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Village upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Forty-four percent of the non-payroll transactions tested did not have the prior certification of the Finance Director, nor was there any evidence the Finance Director was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF NEW LEXINGTON
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013
(Continued)

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

FINDING NUMBER 2013-005 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, 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. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Finance Director certify that funds are or will be available prior to obligations being incurred by the Village. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Village certify purchases to which Ohio Rev. Code § 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 Finance Director should sign the certification prior to the Village incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Finance Director should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: We did not receive a response from officials for this finding.

FINDING NUMBER 2013-006

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2013, the Village's receipts and disbursements were not always posted into accurate classifications, and accounts and the activity of the Village's agency fund was not posted to the accounting system.

For the fiscal year ending December 31, 2013, we noted the following posting errors:

- Debt payments in the amounts of \$120,794 and \$8,104 in the General Fund were posted to General Government and Security of Persons and Property, respectively, instead of Principal (\$51,096) and Interest (\$77,802).
- Debt payments in the amount of \$111,428 in the Fire & EMS Levy Fund were posted to Security of Persons and Property instead of Principal (\$103,975) and Interest (\$7,453).
- Receipts for the sale of equipment in the amount of \$60,813 in the Fire & EMS Levy Fund were misclassified as Miscellaneous instead of Sale of Capital Asset receipts.
- Receipts for the reimbursement of cemetery insurance premiums in the Cemetery Fund in the amounts of \$17,914 were misclassified as Charges for Service instead of Miscellaneous receipts.
- A reclassification was made to move the negative balance of \$411,370 in Net Position - Restricted for Other Purposes to Unrestricted for the Fire & EMS Levy balance.

VILLAGE OF NEW LEXINGTON
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013
(Continued)

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

FINDING NUMBER 2013-006 (Continued)

Material Weakness (Continued)

The above reclassifications, which were agreed to by management, were posted to the financial statements.

The following were insignificant adjustments and reclassifications that were not recorded on the Village's financial statements but were brought to management's attention:

- Income tax refund disbursements in the General Fund of \$19,779 were posted as negative receipts which understated General Government disbursements and Municipal Income Tax receipts.
- Customer deposits refunds in the Guaranteed Water Deposit fund of \$5,878 were posted as negative receipts which understated Other Operating disbursements and Charges for Service receipts.
- Intergovernmental receipts and Capital Outlay disbursements were understated in the amount of \$817 for a portion of the OPWC Project completed during the year in the Sewer Fund which was not recorded in the accounting system.
- A portion of the General Fund balance which represented outstanding encumbrances was classified as Unassigned instead of Assigned in the amount of \$4,529.
- Unrecorded encumbrances were noted at December 31, 2013 in the amount of \$9,234 in the General Fund and \$1,905 in the Fire & EMS Fund.
- An adjustment was made to record the Village's Agency fund ending balance of \$5,184.

Incorrect postings of financial statement account classifications and balances could result in inaccurate reporting of the Village's financial information.

We recommend the Village utilize available authoritative resources to appropriately classify receipt and disbursement transactions. We also recommend the Village post the outside agency fund balances to the Village's books.

Officials' Response: All items that were misclassified were posted according to Local Government Services recommendations. The negative receipt adjustments for income tax and water refunds were deemed allowable to be posted in this manner by Local Government Services. Agency funds cannot be posted because the information is not provided to the Finance Director to post the activity required to reconcile.

Auditor of State's Conclusion: The Ohio Village Officer's Handbook, which is prepared by the Local Government Services division of the Auditor of State's office, outlines the accounts to be used when recording various receipts and disbursements. The Handbook shows in Appendix A-2 of the UAN Accounting Codes that tax refunds are to be recorded as General Government expenditures. In addition, the Handbook indicates that reducing receipts is only permitted when both of the transactions (the receipt of the money from the customer and the refund of the money back to the customer) occur during the same fiscal year. If the refund occurs in the subsequent year, post the payment as an expenditure.

**VILLAGE OF NEW LEXINGTON
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material audit adjustments were posted to the financial statements.	No	Not Corrected; Repeated as Finding Number 2013-006.
2012-002	Inadequately Implemented System of Accounting.	Yes	
2012-003	Failure to Routinely Reconcile Bank Account Balances.	No	Partially Corrected; Repeated in Management Letter.
2012-004	Failure to Establish a Special Revenue Fund for Each Special Levy as Required by ORC § 5705.09(D).	No	Not Corrected; Repeated as Finding Number 2013-001.
2012-005	Deficit Fund Balances Contrary to ORC § 5705.10(I).	No	Not Corrected; Repeated as Finding Number 2013-002.
2012-006	Failure to Properly Obtain Amended Certificates Contrary to ORC § 5705.36(A)(4).	No	Not Corrected; Repeated as Finding Number 2013-003.
2012-007	Appropriations in Excess of Amounts Certified as Available for Expenditure as Required by ORC § 5705.39.	No	Not Corrected; Repeated as Finding Number 2013-004.
2012-008	Expenditures in Excess of Appropriations as Required by ORC § 5705.41(B).	Yes	
2012-009	Failure to Properly Encumber as Required by ORC § 5705.41(D)(1).	No	Not Corrected; Repeated as Finding Number 2013-005.



Dave Yost • Auditor of State

VILLAGE 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
DECEMBER 23, 2014**