

CITY OF NEW LEXINGTON
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Mary Taylor, CPA
Auditor of State

City Council
City of New Lexington
125 S. Main Street
New Lexington, Ohio 43764

We have reviewed the *Independent Auditors' Report* of the City of New Lexington, Perry County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of New Lexington is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 15, 2010

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**CITY OF NEW LEXINGTON
PERRY COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of New Lexington
New Lexington, Ohio 43764

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of New Lexington, Perry County as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, net assets, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position -modified cash basis of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of New Lexington, Perry County as of December 31, 2009, and the respective changes in financial position-modified cash basis and the respective budgetary comparison for the General Fund and Fire and EMS Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2010, on our consideration of City of New Lexington's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 28, 2010

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The management's discussion and analysis of the City of New Lexington's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009, within the limitation of the City's cash basis of accounting. The intent of this discussion and analysis is to look at the City'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 City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The total net assets of the City increased \$245,297. Net assets of governmental activities increased \$151,597 or over 100% from 2008 and net assets of business-type activities increased \$93,700 or 20% from 2008.
- General cash receipts accounted for \$2,106,095 or 63% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,232,084 or 37% of total governmental activities cash receipts. Total governmental activities cash receipts for 2009 were \$3,338,179.
- The City had \$3,186,582 in cash disbursements related to governmental activities; \$1,232,084 of these cash disbursements was offset by program specific charges for services, grants or contributions. The remaining cash disbursements of the governmental activities of \$1,954,498 were offset by general cash receipts (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$2,106,095.
- The City's major governmental funds are the General fund and the Special Revenue Fire and EMS fund. The general fund had cash receipts and other financing sources of \$2,063,349 and cash disbursements of \$2,062,733. The net increase in fund balance for the general fund was \$616 or 0%.
- The Fire & EMS fund had cash receipts of \$998,393 and cash disbursements of \$871,204. The net increase in fund balance was \$127,189 which exceeds 100%.
- The Water Fund had cash receipts \$1,506,505 and cash disbursements of \$1,452,424 in 2009. The net change in net assets was an increase of \$54,081 and 27%.
- The Sewer Fund had cash receipts of \$810,772 and cash disbursements of \$771,153 in 2009. The net change in net assets was an increase of \$39,619 and 15%.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Using the Basic Financial Statements (BFS)

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 City's cash basis of accounting.

The Statement of Net Assets –Cash Basis and Statement of Activities- Cash Basis provide information about the activities of the City as a whole, presenting both an aggregate view of the City's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Since the City 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 City as a Whole

Statement of Net Assets and the Statement of Activities

A general question typically asked about the City's finances is "How did we do financially during 2009?" The Statement of Net Assets-Cash Basis and the Statement of Activities- Cash Basis answers this question. These statements include only net assets 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 City's net assets and changes in those assets on a cash basis. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City 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 City'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 Assets- Cash Basis and the Statement of Activities- Cash Basis, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City'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 revenues including federal and state grants and other shared revenues.

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

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses many funds to account for financial transactions and has segregated these funds into major and nonmajor funds. Information for major funds is presented separately in the governmental fund financial statements while all other governmental funds are combined into a single, aggregated presentation. The City's major governmental funds are the General and Special Revenue Fire & EMS funds.

Governmental Funds

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. For the City, these funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Since the City is reporting on the cash basis of accounting, there are no differences between net assets and fund balances or changes in net assets and changes in fund balances. Therefore, no such reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross cash receipts and cash disbursements on the Fund Financial Statements to the Statement of Activities –Cash Basis, which is attributed to transfers between governmental and proprietary funds being eliminated for reporting in the Statement of Activities –Cash Basis.

The City's budgetary process accounts for certain transactions on the cash basis. The budgetary statements for the General fund and the Fire & EMS fund are presented to demonstrate the City's compliance with annually adopted budgets. Differences arising between the changes in fund balances presented on the fund financial statements and fund balances on the budgetary statements are attributed to outstanding encumbrances at year end.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer functions. The City's major enterprise funds are the water and sewer funds.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City's only fiduciary fund is an agency fund which is used to account for the retainage for contracts with vendors. Only the cash held at year end for agency funds is presented.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The City of New Lexington as a Whole

Recall that the Statement of Net Assets –Cash Basis provides the perspective of the City as a whole.

The table below provides a summary of the City's net assets for 2009 and 2008.

	Net Assets			
	Governmental Activities 2009	Business-type Activities 2009	Governmental Activities 2008	Business-type Activities 2008
Assets				
Cash and Cash Equivalents	\$ 163,432	\$ 550,871	\$ 11,835	\$ 457,171
Total assets	\$ 163,432	\$ 550,871	\$ 11,835	\$ 457,171
Net Assets				
Restricted	\$ 116,785	\$ -	\$ 94,896	\$ -
Unrestricted	46,647	550,871	(83,061)	457,171
Total net assets	\$ 163,432	\$ 550,871	\$ 11,835	\$ 457,171

The total net assets of the City increased \$245,297. Net assets of governmental activities increased \$151,597 or over 100% from 2008 and net assets of business-type activities increased \$93,700 or 20% from 2008.

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**CITY OF NEW LEXINGTON
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The table below provides a summary of changes in the City's net assets for 2009 and 2008.

	Change in Net Assets			
	Governmental Activities 2009	Business-type Activities 209	Governmental Activities 2008	Business-type Activities 2008
Cash receipts				
Program cash receipts:				
Charges for services	\$ 525,671	\$ 1,880,913	\$ 600,107	\$ 1,549,507
Operating grants and contributions	181,413	-	205,066	-
Capital grants and contributions	525,000	-	-	-
Total program cash receipts	1,232,084	1,880,913	805,173	1,549,507
General cash receipts:				
Property taxes	259,500	-	177,798	-
Income taxes	719,850	-	711,043	-
Unrestricted grants and entitlements	342,925	-	104,961	-
Investment earnings	2,140	646	80,840	966
Proceeds of loan	-	117,457	-	909,958
Note proceeds	619,034	-	53,858	-
Donations	300	-	5,655	-
Miscellaneous	162,346	318,261	210,818	477,379
Total general cash receipts	2,106,095	436,364	1,344,973	1,388,303
Cash disbursements:				
General government	721,770	-	622,880	-
Security of persons and property	1,431,092	-	988,015	-
Transportation	184,370	-	193,916	-
Community environment	15,768	-	21,522	-
Leisure time activity	78,600	-	88,565	-
Capital outlay	619,034	-	53,858	-
Other	56,336	-	288,409	-
Debt service	79,612	-	115,558	-
Water	-	1,452,424	-	2,169,882
Sewer	-	771,153	-	803,362
Total cash disbursements	3,186,582	2,223,577	2,372,723	2,973,244
Change in net assets	151,597	93,700	(222,577)	(35,434)
Net assets at beginning of year	11,835	457,171	234,412	492,605
Net assets at end of year	\$ 163,432	\$ 550,871	\$ 11,835	\$ 457,171

Governmental activities net assets increased \$151,597 in 2009. Security of persons and property, which primarily supports the operations of the police and emergency medical services departments, accounted for \$1,431,092 of the total cash disbursements of the City. General cash receipts totaled \$2,106,095 and amounted to 63% of total cash receipts. General cash receipts primarily consist of property and income tax receipts and note proceeds.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The Statement of Activities- Cash Basis shows the cost of program services and the charges for services and grants 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 revenue and unrestricted State grants and entitlements. The City 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

	Governmental Activities			
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Program Cash Disbursements:				
General government	\$ 721,770	\$ 633,348	\$ 622,880	\$ 542,724
Security of persons and property	1,431,092	481,980	988,015	487,437
Transportation	184,370	2,957	193,916	(11,150)
Community environment	15,768	15,768	21,522	21,522
Capital outlay	619,034	619,034	53,858	53,858
Leisure time activity	78,600	65,463	88,565	69,192
Other	56,336	56,336	288,409	288,409
Debt service	79,612	79,612	115,558	115,558
Total	<u>\$ 3,186,582</u>	<u>\$ 1,954,498</u>	<u>\$ 2,372,723</u>	<u>\$ 1,567,550</u>

Business-Type Activities

Business-Type activities include the water and sewer funds. These major funds had program cash receipts of \$1,880,913, general cash receipts of \$436,364 and cash disbursements of \$2,223,577 for 2009.

Financial Analysis of the Government's Funds

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

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Governmental Funds

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

The City's governmental funds reported a combined fund cash balance of \$163,432, which is \$151,597 higher than last year's combined total of \$11,835. The schedule below indicates the fund cash balance and the total change in fund cash balances as of December 31, 2009 and December 31, 2008, for all major and nonmajor governmental funds.

	Fund Balances 12/31/09	Fund Balances 12/31/08	Increase (Decrease)
Major funds:			
General	\$ 49,694	\$ 49,078	\$ 616
Fire & EMS	(14,980)	(142,169)	127,189
Other governmental funds	128,718	104,926	23,792
Total	<u>\$ 163,432</u>	<u>\$ 11,835</u>	<u>\$ 151,597</u>

Budgeting Highlights - General Fund

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

Budgetary information is presented for the General and Fire & EMS funds. In the General Fund, the actual cash receipts were \$735,014 higher than they were in the final budget and actual cash disbursements were \$810,103 higher than the amount in the final budget.

Capital Assets and Debt Administration

Capital Assets

The City does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as cash disbursements. The City had capital outlay cash disbursements of \$619,034 in governmental funds and \$117,457 in enterprise funds during 2009.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2009 and 2008:

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 145,000	\$ 160,000
Police cruisers	43,902	53,858
Municipal building note	1,208,736	628,575
Total long-term obligations	\$ 1,397,638	\$ 842,433
	Business-Type Activities	
	2009	2008
OPWC loans	\$ 215,340	\$ 227,721
OWDA loans	3,445,205	3,563,578
Mortgage revenue bonds	947,286	974,523
Total long-term obligations	\$ 4,607,831	\$ 4,765,822

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

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Teri Moore, Finance Director, City of New Lexington, 125 South Main Street, New Lexington, Ohio 43764.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 163,432	\$ 550,871	\$ 714,303
<i>Total Assets</i>	163,432	550,871	714,303
Net Assets			
Restricted for:			
Debt Service	\$ 68,391	\$ -	\$ 68,391
Other Purposes	48,394	-	48,394
Unrestricted	46,647	550,871	597,518
<i>Total Net Assets</i>	\$ 163,432	\$ 550,871	\$ 714,303

See accompanying notes to the basic financial statements

**CITY OF NEW LEXINGTON
PERRY COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 721,770	\$ 88,422	\$ -	\$ -	\$ (633,348)	\$ -	\$ (633,348)
Security of Persons and Property	1,431,092	424,112	-	525,000	(481,980)	-	(481,980)
Leisure Time Activities	78,600	13,137	-	-	(65,463)	-	(65,463)
Community Environment	15,768	-	-	-	(15,768)	-	(15,768)
Transportation	184,370	-	181,413	-	(2,957)	-	(2,957)
Capital Outlay	619,034	-	-	-	(619,034)	-	(619,034)
Other	56,336	-	-	-	(56,336)	-	(56,336)
Debt Service	79,612	-	-	-	(79,612)	-	(79,612)
<i>Total Governmental Activities</i>	<u>3,186,582</u>	<u>525,671</u>	<u>181,413</u>	<u>525,000</u>	<u>(1,954,498)</u>	<u>-</u>	<u>(1,954,498)</u>
Business Type Activity							
Water	1,452,424	1,085,830	-	-	-	(366,594)	(366,594)
Sewer	771,153	795,083	-	-	-	23,930	23,930
<i>Total Business Type Activities</i>	<u>2,223,577</u>	<u>1,880,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(342,664)</u>	<u>(342,664)</u>
Total	<u>\$ 5,410,159</u>	<u>\$ 2,406,584</u>	<u>\$ 181,413</u>	<u>\$ 525,000</u>	<u>(1,954,498)</u>	<u>(342,664)</u>	<u>(2,297,162)</u>
General Cash Receipts:							
Property Taxes Levied for:							
General Purposes					259,500	-	259,500
Municipal Income Taxes					719,850	-	719,850
Grants and Entitlements not Restricted to Specific Programs					342,925	-	342,925
Proceeds of Loan					-	117,457	117,457
Note Proceeds					619,034	-	619,034
Donations					300	-	300
Interest					2,140	646	2,786
Miscellaneous					162,346	318,261	480,607
<i>Total General Receipts</i>					<u>2,106,095</u>	<u>436,364</u>	<u>2,542,459</u>
Change in Net Assets					151,597	93,700	245,297
<i>Net Assets Beginning of Year</i>					<u>11,835</u>	<u>457,171</u>	<u>469,006</u>
<i>Net Assets End of Year</i>					<u>\$ 163,432</u>	<u>\$ 550,871</u>	<u>\$ 714,303</u>

See accompanying notes to the basic financial statements

**CITY OF NEW LEXINGTON
PERRY COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	Fire & EMS Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 49,694	\$ (14,980)	\$ 128,718	\$ 163,432
<i>Total Assets</i>	<u>\$ 49,694</u>	<u>\$ (14,980)</u>	<u>\$ 128,718</u>	<u>\$ 163,432</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 53,146	\$ 4,873	\$ 11,933	\$ 69,952
Unreserved Reported in:				
General Fund	(3,452)	-	-	(3,452)
Special Revenue Funds	-	(19,853)	48,394	28,541
Debt Service Fund	-	-	68,391	68,391
<i>Total Fund Balances</i>	<u>\$ 49,694</u>	<u>\$ (14,980)</u>	<u>\$ 128,718</u>	<u>\$ 163,432</u>

See accompanying notes to the basic financial statements

**CITY OF NEW LEXINGTON
PERRY COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Fire & EMS Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:				
Municipal Income Taxes	\$ 719,850	\$ -	\$ -	\$ 719,850
Property and Other Local Taxes	62,370	159,672	37,458	259,500
Charges for Services	191,385	281,307	-	472,692
Fines, Licenses and Permits	55,760	-	1,063	56,823
Intergovernmental	312,546	535,074	201,718	1,049,338
Interest	1,291	323	526	2,140
Donations	300	-	-	300
Other Local Receipts	100,813	22,017	35,672	158,502
<i>Total Cash Receipts</i>	<u>1,444,315</u>	<u>998,393</u>	<u>276,437</u>	<u>2,719,145</u>
Cash Disbursements:				
Current:				
General Government	721,770	-	-	721,770
Security of Persons and Property	559,838	871,204	50	1,431,092
Leisure Time Activities	78,600	-	-	78,600
Community Environment	325	-	15,443	15,768
Transportation	-	-	184,370	184,370
Capital Outlay	619,034	-	-	619,034
Other	8,274	-	48,062	56,336
Debt Service	74,892	-	4,720	79,612
<i>Total Cash Disbursements</i>	<u>2,062,733</u>	<u>871,204</u>	<u>252,645</u>	<u>3,186,582</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(618,418)</u>	<u>127,189</u>	<u>23,792</u>	<u>(467,437)</u>
Other Financing Sources (Uses)				
Note Proceeds	619,034	-	-	619,034
<i>Total Other Financing Sources (Uses)</i>	<u>619,034</u>	<u>-</u>	<u>-</u>	<u>619,034</u>
<i>Net Change in Fund Balances</i>	616	127,189	23,792	151,597
<i>Fund Balances Beginning of Year</i>	<u>49,078</u>	<u>(142,169)</u>	<u>104,926</u>	<u>11,835</u>
<i>Fund Balances End of Year</i>	<u>\$ 49,694</u>	<u>\$ (14,980)</u>	<u>\$ 128,718</u>	<u>\$ 163,432</u>

See accompanying notes to the basic financial statements

**CITY OF NEW LEXINGTON
PERRY COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Basis Receipts:				
Municipal Income Taxes	\$ 662,045	\$ 662,045	\$ 719,850	\$ 57,805
Property and Other Local Taxes	57,362	57,362	62,370	5,008
Charges for Services	176,017	176,017	191,385	15,368
Fines, Licenses and Permits	51,282	51,282	55,760	4,478
Intergovernmental	287,448	287,448	312,546	25,098
Interest	1,187	1,187	1,291	104
Donations	276	276	300	24
Other Local Receipts	92,718	92,718	100,813	8,095
<i>Total Budgetary Basis Receipts</i>	<u>1,328,335</u>	<u>1,328,335</u>	<u>1,444,315</u>	<u>115,980</u>
Budgetary Basis Disbursements:				
Current:				
General Government	501,000	579,409	774,916	(195,507)
Security of Persons and Property	542,000	554,643	559,838	(5,195)
Leisure Time Activities	40,302	84,300	78,600	5,700
Community Environment	541	541	325	216
Capital Outlay	-	-	619,034	(619,034)
Other	-	-	8,274	(8,274)
Debt Service	101,847	86,883	74,892	11,991
<i>Total Budgetary Basis Disbursements</i>	<u>1,185,690</u>	<u>1,305,776</u>	<u>2,115,879</u>	<u>(810,103)</u>
<i>Excess (Deficiency) of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	<u>142,645</u>	<u>22,559</u>	<u>(671,564)</u>	<u>(694,123)</u>
Other Financing Sources (Uses)				
Note Proceeds	-	-	619,034	619,034
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>619,034</u>	<u>619,034</u>
<i>Net Change in Fund Balance</i>	142,645	22,559	(52,530)	(75,089)
<i>Fund Balance at Beginning of Year</i>	(6,573)	(6,573)	(6,573)	-
Prior Year Encumbrances Appropriated	55,651	55,651	55,651	-
<i>Fund Balance at End of Year</i>	<u>\$ 191,723</u>	<u>\$ 71,637</u>	<u>\$ (3,452)</u>	<u>\$ (75,089)</u>

See accompanying notes to the basic financial statements

**CITY OF NEW LEXINGTON
PERRY COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
FIRE & EMS FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary Basis Receipts:				
Property and Other Local Taxes	\$ 90,963	\$ 90,963	\$ 159,672	\$ 68,709
Charges for Services	160,258	160,258	281,307	121,049
Intergovernmental	304,826	304,826	535,074	230,248
Interest	184	184	323	139
Other Local Receipts	12,543	12,543	22,017	9,474
<i>Total Budgetary Basis Receipts</i>	<u>568,774</u>	<u>568,774</u>	<u>998,393</u>	<u>429,619</u>
Budgetary Basis Disbursements:				
Current:				
Security of Persons and Property	428,587	428,587	876,077	(447,490)
<i>Total Budgetary Basis Disbursements</i>	<u>428,587</u>	<u>428,587</u>	<u>876,077</u>	<u>(447,490)</u>
<i>Net Change in Fund Balance</i>	140,187	140,187	122,316	877,109
<i>Fund Balance at Beginning of Year</i>	(161,521)	(161,521)	(161,521)	-
Prior Year Encumbrances Appropriated	19,352	19,352	19,352	-
<i>Fund Balance at End of Year</i>	<u>\$ (1,982)</u>	<u>\$ (1,982)</u>	<u>\$ (19,853)</u>	<u>\$ 877,109</u>

See accompanying notes to the basic financial statements

**CITY OF NEW LEXINGTON
PERRY COUNTY**

STATEMENT OF FUND NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
Assets:			
Equity in Pooled Cash and Investments	\$ 251,463	\$ 299,408	\$ 550,871
<i>Total Assets</i>	<u>\$ 251,463</u>	<u>\$ 299,408</u>	<u>\$ 550,871</u>
Net Assets:			
Unrestricted	\$ 251,463	\$ 299,408	\$ 550,871
<i>Total Net Assets</i>	<u>\$ 251,463</u>	<u>\$ 299,408</u>	<u>\$ 550,871</u>

See accompanying notes to the basic financial statements

**CITY OF NEW LEXINGTON
PERRY COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
Operating Cash Receipts:			
Charges for Services	\$ 1,085,830	\$ 795,083	\$ 1,880,913
Other Operating Receipts	13,123	13	13,136
<i>Total Operating Cash Receipts</i>	<u>1,098,953</u>	<u>795,096</u>	<u>1,894,049</u>
Operating Disbursements:			
Personal Services	345,549	307,639	653,188
Contractual Services	142,161	80,919	223,080
Materials and Supplies	271,614	59,758	331,372
<i>Total Operating Cash Disbursements</i>	<u>759,324</u>	<u>448,316</u>	<u>1,207,640</u>
<i>Operating Income</i>	<u>339,629</u>	<u>346,780</u>	<u>686,409</u>
Non-Operating Cash Receipts (Cash Disbursements):			
Interest	323	323	646
Proceeds of Loan	117,457	-	117,457
Debt Service	(273,092)	(135,182)	(408,274)
Capital Outlay	(117,457)	-	(117,457)
Other Financing Sources	289,772	15,353	305,125
Other Financing Uses	(302,551)	(187,655)	(490,206)
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>(285,548)</u>	<u>(307,161)</u>	<u>(592,709)</u>
<i>Change in Net Assets</i>	54,081	39,619	93,700
<i>Net Assets at Beginning of Year</i>	<u>197,382</u>	<u>259,789</u>	<u>457,171</u>
<i>Net Assets at End of Year</i>	<u>\$ 251,463</u>	<u>\$ 299,408</u>	<u>\$ 550,871</u>

See accompanying notes to the basic financial statements

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1– REPORTING ENTITY

The City of New Lexington, Perry County (the City) is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under its own Charter, a home-rule municipality as defined by Title 7 of the Ohio Revised Code. The City operates under a Council-Mayor form of government. Four council members are elected from wards for four year terms. The Mayor, President of Council and three council members are elected by separate ballot from the municipality at large for four year terms. The Mayor may veto any legislation passed by Council. In addition to establishing City 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 operating of the City and for appointing the heads of the various City departments. An appointed finance director is responsible for the fiscal control of the financial resources of the City.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the City are not misleading.

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. The City is also financially accountable for any organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt, or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the City, are accessible to the City and are significant in amount to the City. The City has no component units.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – REPORTING ENTITY (Continued)

C. Jointly Governed Organizations

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City has no joint ventures.

The City is associated with the New Lexington-Pike Township Union Cemetery, which is defined as a jointly governed organization. This organization is presented in Note 14 to the basic financial statements.

The basic financial statements exclude the following entity which performs activities within the City's boundaries for the benefit of its residents because the City is not financially accountable for these entities nor are they fiscally dependent on the City:

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

The City's management believes these financial statements present all activities for which the City 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The City does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

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

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City 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 City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the City at year end. The statement of activities compares disbursements and program receipts for each program or function of the City'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 City 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 is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, 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 City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City 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 City 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. Fiduciary funds are reported by type.

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.

B. Fund Accounting

The City 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 City are presented in three categories: governmental, proprietary, and fiduciary.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General - 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 City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire & EMS Fund – The Fire & EMS Fund receives taxes, intergovernmental, and charges for services receipts which are used to provide emergency medical services to City residents.

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

Proprietary Fund

The City classifies funds financed primarily from user charges for goods or services as proprietary. The City's proprietary fund is 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 City'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 City.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2009. Agency funds are purely custodial in nature and are used to account for assets held by the City for individuals and other governments and organizations for building and related permit fees and for compliance with building codes. The City had the following Agency fund:

Escrow Cash Fund – This fund accounts for retainage monies set-aside for specific contracts entered into by the City. This fund reported a \$0 cash balance at December 31, 2009.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The City's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City'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 City 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.

D. 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 resolution, 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 City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the fund, function, 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 City 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 certificated of estimated resources in effect at the time final appropriations were passed by the City 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 City Council during the year.

E. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Investments".

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2009, the City invested in nonnegotiable certificates of deposit which are reported at cost.

Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2009 was \$1,291.

F. 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 City are reported as restricted. The City did not have any restricted assets during 2009.

G. Inventory and Prepaid Items

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

H. 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.

I. Interfund Receivables/Payables

The City reports advances-in and advances-out for interfund loans. The City did not have interfund receivables/payables during 2009.

J. 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 City's cash basis of accounting.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The City 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.

L. Long-Term Obligations

The City'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 an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are 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 City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Restricted net assets reported as of December 31, 2009 were not restricted by enabling legislation.

N. Fund Balance Reserves

The City reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. 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.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred in 2009.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 3 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the City prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

NOTE 4 – 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 – Budgetary Basis presented for the General and Fire & EMS Funds 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 are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$53,146
Fire & EMS Fund	4,873

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the 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 City 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;

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$540,150 of the City's bank balance of \$866,554 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

The City 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 City 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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The City 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 City's investment policy addresses interest rate risk by requiring that the City'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 certificates of deposit are not exposed to credit risk. The City has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Concentration of Credit Risk – The City has not established an investment policy dealing with concentration of credit risk beyond the requirements established within state statutes.

Reconciliation of Cash and its Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments to the Statement of Net Assets at December 31, 2009:

Carrying amount of City's deposits (summarized above)	\$ 714,303
Cash and cash equivalents – Statement of Fiduciary Net Assets	<u> (0)</u>
Cash and cash equivalents – Statement of Net Assets	<u>\$ 714,303</u>

NOTE 6 – INCOME TAXES

The City levies a 1% income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than 1% must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City 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 2009, the receipts were allocated to the general fund in the amount of \$719,850.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2008, on assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2008 real property taxes are collected in and intended to finance 2009.

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2009 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments for machinery and equipment were 25 percent of true value and 23 percent of true value of inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is zero for 2009.

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. For 2009, the due dates were February 19 and July 15.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

NOTE 8 – RISK MANAGEMENT

A. Risk Membership Pool

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

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

The City 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 8 – RISK MANAGEMENT (Continued)

If losses exhaust PEP’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$3,000,000.

Property Coverage

APEEP established a risk-sharing property program. Under the program, Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2008. For 2008, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$300,000, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Retained earnings	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District’s share of these unpaid claims collectible in future years is approximately \$21,935. This payable includes the subsequent year’s contribution due if the District terminates participation, as described in the last paragraph below.

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.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 8 – RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
2007	\$46,467
2008	\$45,247
2009	\$49,984

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

B. Health Insurance

The City provides comprehensive health insurance plan with Medical Mutual of Ohio for all eligible employees. The City pays 100% of all premiums. The monthly premium for this coverage is \$1,000.27 for family, \$676.36 for two persons, and \$338.18 for an individual. The insurance provides prescription drug insurance. Dental coverage is provided through Delta Dental. The City pays 100% of the premium for employees. Monthly premiums for this coverage are \$100.76, respectively for family and \$28.34 single, \$54.00 for two persons. Vision coverage is through VSP. Premiums for family and member plus one coverage are \$18.87 and \$8.34 for individual coverage monthly. Life insurance coverage is provided through The Standard. This provides \$20,000 of coverage for employees. Premiums are \$5.24 per month. The City pays 100% of this premium.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$121,748, \$115,654, and \$121,494, respectively

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The City has no firefighters. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2009, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F were \$49,987 for the year ended December 31, 2009, \$53,893 for the year ended December 31, 2008, and \$51,374 for the year ended December 31, 2007.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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 – OP&F’s post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. 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 Section 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.

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**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 11 – DEBT

The City’s long-term debt activity for the year ended December 31, 2009, was as follows:

	Interest Rate	(Restated) Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>Governmental Activities</u>						
Swimming Pool G.O. Bonds	5.9%	\$160,000	\$ 0	(\$15,000)	\$ 145,000	\$20,000
Police Cruisers	5.0%	53,858	0	(9,956)	43,902	10,338
Municipal Building Note	4.5%	613,798	619,034	(24,096)	1,208,736	9,615
Total Governmental Activities		<u>\$827,656</u>	<u>\$619,034</u>	<u>(\$49,052)</u>	<u>\$1,397,638</u>	<u>\$39,953</u>
<u>Business-Type Activities</u>						
Water Detention Structure Revenue Bonds	3.225%	\$ 48,523	\$ 0	(\$ 12,237)	\$ 36,286	\$12,231
Sanitary Sewer System Revenue Bonds	4.5%	926,000	0	(15,000)	911,000	16,000
Ohio Water Development Authority Loans	1.5%- 7.89%	3,563,578	117,457	(235,830)	3,445,205	0
Ohio Public Works Commission Loan	1.5%-2%	227,721	0	(12,381)	215,340	12,630
Total Business-Type Activities		<u>\$4,765,822</u>	<u>\$117,457</u>	<u>(\$275,448)</u>	<u>\$4,607,831</u>	<u>\$40,861</u>

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

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

General obligation notes are direct obligations of the City for which its full faith, credit and resources are pledged and payable from taxes levied on all property in the City. During 2009, the City issued \$619,037 in general obligation notes at 4.5% payable over 20 years, with final payment on or before April 4, 2028. The total credit line on this note is \$1,300,000.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 11 – DEBT (Continued)

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 2009, OWDA disbursed \$117,457 for Water Treatment Plant Improvements and Sewer Line Replacements. Amortization schedules have not been prepared for all projects due to OWDA not finalizing financing terms and repayment arrangements. Once these items are finalized, full amortization schedules will be presented accordingly.

The Ohio Public Works Commission (OPWC) Loans are for the construction of a sewer pumping station and equalization basin project and wastewater treatment plant. The equalization basin project and wastewater treatment plant project loan agreement with the OPWC was financed in 2002 for a total of \$122,000.

The following is a summary of the City’s future annual debt service requirements at December 31, 2009:

Year	USDA 79-01		USDA 92-07		Swimming Pool Bond Retirement	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$12,631	\$1,178	\$16,000	\$40,995	\$20,000	\$8,555
2011	13,038	770	17,000	40,275	20,000	7,375
2012	10,617	350	17,000	39,510	20,000	6,195
2013	0	0	18,000	38,745	20,000	5,015
2014	0	0	19,000	37,935	20,000	0
2015 – 2019	0	0	108,000	176,085	45,000	7,965
2020 – 2024	0	0	135,000	149,445	0	0
2025 – 2029	0	0	168,000	116,280	0	0
2030 – 2034	0	0	209,000	74,925	0	0
2035 – 2039	0	0	204,000	23,400	0	0
Totals	\$36,286	\$2,298	\$911,000	\$737,595	\$145,000	\$35,105

Year	Total OWDA		Total OPWC	
	Principal	Interest	Principal	Interest
2010	\$176,935	\$ 62,984	\$ 12,630	\$ 4,243
2011	185,936	53,984	12,885	3,990
2012	195,544	44,372	13,205	3,669
2013	183,264	34,110	13,408	3,466
2014	164,441	23,884	13,677	3,197
2015 – 2019	181,191	60,280	72,624	11,751
2020 – 2024	199,123	42,349	68,390	4,268
2025 – 2029	184,897	23,082	8,521	208
2030 – 2034	137,040	8,888	0	0
2035 – 2039	21,571	3,046	0	0
Totals	\$1,629,942	\$356,979	\$215,340	\$34,792

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 11 – DEBT (Continued)

Year	Total Building Purchase		Total Police Cruisers	
	Principal	Interest	Principal	Interest
2010	\$ 9,615	\$27,871	\$10,338	\$1,654
2011	21,825	53,146	10,755	1,236
2012	22,672	52,300	11,187	803
2013	23,850	51,122	11,622	349
2014	24,936	50,036	0	0
2015 – 2019	142,615	232,245	0	0
2020 – 2024	178,063	196,795	0	0
2025-2029	785,160	111,843	0	0
Totals	<u>\$1,208,736</u>	<u>\$775,358</u>	<u>\$43,902</u>	<u>\$4,042</u>

NOTE 12 – LEASES

The City has entered into capitalized leases which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The following summarize the City’s capital lease activity for 2009:

During 2008, the City entered into a lease-purchase agreement in the amount of \$53,858 for new police cruisers. Total principal and interest paid in 2009 was \$12,011 and remaining total obligation of \$47,944 with the final payment occurring in 2013.

Under the basis of accounting as described in Note 2, these amounts are not reflected as assets and liabilities within the accompanying financial statements.

NOTE 13 – CONTINGENT LIABILITIES

The City is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the City’s financial condition.

Amounts grantor agencies pay to the City 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.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

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

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 15 – BUDGETARY COMPLIANCE

Ohio Revised Code Section 5705.41(B) prohibits the expenditure of funds unless they have been properly appropriated. As of December 31, 2009, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance
General	\$ 1,305,776	\$ 2,115,879	\$ (810,103)
Fire & EMS Fund	428,587	876,077	(447,490)
State Highway	15,000	15,755	(755)
Cemetery	29,000	36,597	(7,597)
FEMA	-	14,577	(14,577)
Water Bonds	202,124	265,063	(62,939)
Guaranteed Deposits	47,000	94,848	(47,848)

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Mayor and City Council
City of New Lexington
New Lexington, Ohio 43764

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of New Lexington as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 28, 2010, wherein we noted the City has not prepared financial statements in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of New Lexington's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

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

We noted certain matters that we have reported to management in a separate letter dated May 28, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of New Lexington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as items 2009-01 and 2009-02. We also noted certain immaterial instances of noncompliance, which we have reported to management of City of New Lexington in a separate letter dated May 28, 2010.

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

This report is intended for the information of the Mayor, City Council, Management, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 28, 2010

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

<i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i>

FINDING NUMBER 2009-01

Noncompliance Citation

Ohio Administrative Code 117-2-03(B) and Ohio Revised Code Section 117.38 requires the City of New Lexington to prepare its annual financial statement in accordance with accounting principles generally accepted in the United States of America. However, the City of New Lexington prepared its financial statement on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City of New Lexington can be fined and various other legal administrative remedies may be taken against the City of New Lexington.

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

Client Response: Client is aware of requirement. Cost is a factor in preparing full GAAP statements.

FINDING NUMBER 2009-02

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) prohibits the expenditure of funds unless they have been properly appropriated. As of December 31, 2009, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance
General	\$ 1,305,776	\$ 2,115,879	\$ (810,103)
Fire & EMS Fund	428,587	876,077	(447,490)
State Highway	15,000	15,755	(755)
Cemetery	29,000	36,597	(7,597)
FEMA	-	14,577	(14,577)
Water Bonds	202,124	265,063	(62,939)
Guaranteed Deposits	47,000	94,848	(47,848)

We recommend that the City review expenditures so that they do not exceed appropriations.

Client Response: Client concurs on finding for 2009. Will review more closely in future.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

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

FINDING NUMBER 2009-03

Material Weakness - Financial Reporting

It was noted that the financial accounting system does not provide the City with the accurate financial data needed by the City to monitor the City's finances. The City has to perform a reconciliation of the receipts and disbursements provided by the computer system to a spreadsheet to provide year end numbers for the annual report (and agree to the year end bank reconciliation) and the encumbrance reporting part of the system does not clear out paid encumbrances and it must be done manually. There is no system manual to refer to when problems arise and computer support is not always available when needed.

We recommend the employees be adequately trained on this system and that sufficient support services be available to meet this need. Each months reports must be reviewed and reconciled to ensure financial data accuracy. Safeguards may need to be instituted in the system to ensure only valid corrections and adjustments are made. A report should be provided listing all the changes and the results of the changes where applicable. The City should also require a user's manual be provided for the system. The overall system should be reviewed by Council to determine if adequate adjustments can be made to meet the reporting requirements of the City.

Client Response: Client will perform reconciliation where necessary. Looking into new software.

**CITY OF NEW LEXINGTON
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2009**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-01	OAC 117-2-03B Not filing report in accordance with GAAP	No	Not Corrected. Cited in current report as finding 2009-01
2008-02	ORC 5705.41(B) Expenditures greater than appropriations	No	Not Corrected. Cited in current report as item 2009-02.
2008-03	Material Weakness Financial Reporting	No	Not Corrected. Cited in current report as item 2008-03
2008-04	Material Weakness Budgetary Laws	No	Partially corrected; Included in management letter



Mary Taylor, CPA
Auditor of State

CITY OF NEW LEXINGTON

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 29, 2010**