

# **City of New Lexington**

*Audited Financial Statements*

*December 31, 2002*





**Auditor of State  
Betty Montgomery**

City Council  
City of New Lexington  
New Lexington, OH 43764

We have reviewed the Independent Auditor's Report of the City of New Lexington, Perry County, prepared by Rea & Associates, Inc., for the audit period January 1, 2002 through December 31, 2002. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 19, 2003

**This Page is Intentionally Left Blank.**

**CITY OF NEW LEXINGTON  
PERRY COUNTY**

**DECEMBER 31, 2002**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Independent Auditor's Report .....	1
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types .....	2
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - All Governmental Fund Types.....	3
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Balance - All Proprietary Fund Types and Similar Fiduciary Funds.....	4
Combined Statement of Receipts - Budget and Actual.....	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority.....	6
Notes to the Financial Statements .....	7-17
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	18
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	19-20
Schedule of Expenditures of Federal Awards .....	21
Schedule of Findings and Questioned Costs .....	22-25
Schedule of Prior Audit Findings.....	26
Corrective Action Plan.....	27

**This Page is Intentionally Left Blank.**

# Rea & Associates, Inc.

## ACCOUNTANTS AND BUSINESS CONSULTANTS

August 28, 2003

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

### Independent Auditor's Report

We have audited the accompanying financial statements of the City of New Lexington, Perry County, Ohio (the "City") as of and for the year ended December 31, 2002. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03(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 City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the City of New Lexington as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 28, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

*Rea & Associates, Inc.*

CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS, AND  
FUND CASH BALANCES - ALL FUND TYPES  
AS OF DECEMBER 31, 2002

CASH AND INVESTMENTS \$ 1,257,777

CASH BALANCES BY FUND TYPE

GOVERNMENT FUNDS:	
General Fund	\$ 80,566
Special Revenue Funds	414,676
Debt Service Fund	20,390
Capital Projects Funds	13,399
PROPRIETARY FUNDS:	
Enterprise Funds	711,847
FIDUCIARY FUNDS:	
Agency Funds	<u>16,899</u>
<i>Total all funds</i>	<u>\$ 1,257,777</u>

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



CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
<b>RECEIPTS:</b>					
Taxes	\$ 653,372	\$ 80,958	\$ 23,207	\$ 0	\$ 757,537
Intergovernmental revenue	185,342	205,562	3,144	0	\$ 394,048
Charges for services	24,610	359,563	0	0	\$ 384,173
Fines, licenses and permits	68,568	1,577	0	0	\$ 70,145
Miscellaneous	60,310	55,590	0	10,693	\$ 126,593
<i>Total receipts</i>	992,202	703,250	26,351	10,693	1,732,496
<b>DISBURSEMENTS:</b>					
Current:					
Security of persons	564,817	201,810	0	0	766,627
Public health services	20,000	262,264	0	0	282,264
Leisure time activities	94,073	0	0	0	94,073
Transportation	0	126,756	0	0	126,756
General government	270,888	0	12	0	270,900
Capital outlay	6,595	62,347	0	286,277	355,219
Debt Service - Principal	20,784	54,020	10,000	0	84,804
Debt Service - Interest	5,046	1,199	14,750	0	20,995
<i>Total disbursements</i>	982,203	708,396	24,762	286,277	2,001,638
<i>Excess of receipts over (under) disbursements</i>	9,999	(5,146)	1,589	(275,584)	(269,142)
<i>FUND CASH BALANCES, January 1</i>	70,567	419,822	18,801	288,983	798,173
<i>FUND CASH BALANCES, December 31</i>	<u>\$ 80,566</u>	<u>\$ 414,676</u>	<u>\$ 20,390</u>	<u>\$ 13,399</u>	<u>\$ 529,031</u>

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

CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - ALL PROPRIETARY FUND TYPES  
AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary	Fiduciary Fund Type	
	Enterprise Funds	Agency Funds	Total (Memorandum Only)
<b>OPERATING RECEIPTS:</b>			
Charges for services	\$ 1,261,605	\$ 0	\$ 1,261,605
Other/Miscellaneous	27,211	15,043	42,254
<i>Total operating receipts</i>	1,288,816	15,043	1,303,859
<b>OPERATING DISBURSEMENTS:</b>			
Personal services	585,414	0	585,414
Travel transportation	9,662	0	9,662
Contractual services	263,038	0	263,038
Material and supplies	235,065	0	235,065
Capital outlay	1,236,223	0	1,236,223
Miscellaneous	0	19,851	19,851
<i>Total operating disbursements</i>	2,329,402	19,851	2,349,253
<i>Operating income</i>	(1,040,586)	(4,808)	(1,045,394)
<b>NON-OPERATING RECEIPTS:</b>			
Intergovernmental revenues	745,323	0	745,323
Proceeds of Loans	413,609	0	413,609
<i>Total non-operating receipts</i>	1,158,932	0	1,158,932
<b>NON-OPERATING DISBURSEMENTS:</b>			
Debt service:			
Principal retirement	123,056	0	123,056
Interest and fiscal charges	148,259	0	148,259
<i>Total non-operating disbursements</i>	271,315	0	271,315
<i>Net income</i>	(152,969)	(4,808)	(157,777)
<i>FUND BALANCES, January 1</i>	864,816	21,707	886,523
<i>FUND BALANCES, December 31</i>	\$ 711,847	\$ 16,899	\$ 728,746

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

CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Fund Types/Funds</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
GOVERNMENTAL FUNDS:			
General Fund	\$ 990,000	\$ 992,202	\$ 2,202
Special Revenue Fund	590,575	703,250	112,675
Debt Service Fund	27,200	26,351	(849)
Capital Projects Fund	0	10,693	10,693
PROPRIETARY FUNDS:			
Enterprise Funds	1,407,117	2,447,748	1,040,631
AGENCY FUNDS:			
Holding Fund	0	15,043	15,043
<i>Total all funds</i>	<u>\$ 3,014,892</u>	<u>\$ 4,195,287</u>	<u>\$ 1,180,395</u>

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

CITY OF NEW LEXINGTON  
PERRY COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2002

Fund Types/Funds	Reserve for Encumbrances as of 12/31/2001	Appropriations Year Ended 12/31/2002	Total	Disbursements for the Year Ended 12/31/2002	Reserve for Encumbrances as of 12/31/2002	Total	Variance Favorable (Unfavorable)
GOVERNMENTAL FUNDS:							
General Fund	\$ 1,597	\$ 1,003,055	\$ 1,004,652	\$ 982,203	\$ 2,034	\$ 984,237	\$ 20,415
Special Revenue Fund	6,613	587,400	594,013	708,396	6,613	715,009	(120,996)
Debt Service Fund	0	15,000	15,000	24,762	0	24,762	(9,762)
Capital Projects Fund	7,819	259,063	266,882	286,277	11,166	297,443	(30,561)
PROPRIETARY FUNDS:							
Enterprise Funds	14,341	1,230,100	1,244,441	2,600,717	13,341	2,614,058	(1,369,617)
AGENCY FUNDS:							
Holding Fund	0	0	0	19,851	0	19,851	(19,851)
<i>Total all funds</i>	<u>\$ 30,370</u>	<u>\$ 3,094,618</u>	<u>\$ 3,124,988</u>	<u>\$ 4,622,206</u>	<u>\$ 33,154</u>	<u>\$ 4,655,360</u>	<u>\$ (1,530,372)</u>

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

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

**NOTE 1 – DESCRIPTION OF THE ENTITY**

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

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

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

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

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

**A. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**B. Pooled Cash and Investments**

The City Finance Director invests all available funds of the City in interest-bearing checking accounts and certificates of deposit (see Note 3). This cash is pooled for investment purposes to capture the highest rate of return. Income from these investments is distributed according to City policy.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

**C. Fund Accounting**

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

**1. Governmental Fund Types:**

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Fund**

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

**Capital Projects Funds**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**2. Proprietary Fund Type:**

**Enterprise Funds**

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

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

**3. Fiduciary Fund Type**

**Agency Fund**

The Agency Funds are purely custodial (assets and liabilities) and thus do not involve measurement of results of operations.

**D. Budgetary Process**

**Budget**

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

**Estimated Resources**

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

Prior to December 31, the City must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended during the year as new information becomes available. Appropriations may not exceed estimated resources. All funds, other than Agency Funds, are required to be budgeted and appropriated.

**Encumbrances**

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

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

**E. Property, Plant and Equipment**

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

**F. Total Columns on General Purpose Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

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

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

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

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

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

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;



**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations as described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasury Assets Reserve of Ohio (STAR Ohio).

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

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

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

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

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

At year-end, the carrying amount of the City's deposits was \$1,257,777 and the bank balance was \$1,301,825, \$400,000 of which was covered by federal depository insurance, \$841,485 is collateralized by securities pledged by the financial institution, and \$60,340 is secured by a collateral pool.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

**NOTE 4 – PROPERTY TAXES**

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for the tax year 2002 for Perry County.

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

The full tax rate applied to real property for fiscal year ended December 31, 2002 was \$5.40 per \$1,000 of assessed valuation. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 2002 was \$5.40 per \$1,000 of assessed valuation.

<u>Real Property - 2001 Valuation</u>	
Residential/Agricultural	\$ 20,386,120
Commercial/Industrial	10,562,320
Public Utility	19,410
Minerals	710
<u>Tangible Personal Property - 2002 Valuation</u>	
General	5,385,278
Public Utilities	<u>2,473,710</u>
 Total	 <u>\$ 38,827,548</u>

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

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

**NOTE 5 – DEBT OBLIGATIONS**

Debt outstanding at December 31, 2002 consisted of the following:

	<u>Principal</u>	<u>Interest Rates</u>
Water Detention Structure Mortgage Revenue Bonds	\$ 114,658	3.225%
Sanitary Sewer System Mortgage Revenue Bonds	1,004,000	4.50%
Swimming Pool General Obligation Bonds	240,000	5.90%
Vehicle Acquisition General Obligation Bonds	81,084	5.10%-6.15%
General Obligation Notes	119,939	5.80%-6.35%
Ohio Water Development Authority Loans	1,810,680	1.50%-7.89%
Ohio Public Works Commission Loans	127,604	1.50%-2.00%
Capital Lease	16,187	7.35%
Total	<u>\$ 3,514,152</u>	

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

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

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

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

In 2002 the City entered into loan agreements with the Ohio Public Works Commission for the equalization basin and wastewater treatment plant projects in the amount of \$122,000. As of December 31, 2002, none of these proceeds had been disbursed.

The Ohio Public Works Commission loan is for the construction of a sewer pump station.

The City entered into loan agreements with Ohio Water Development Authority in the amounts of \$295,000 for the lift station project and \$450,000 for the equalization basis project. As of December 31, 2002, only \$246,435 of these proceeds had been disbursed. This amount is included in the debt outstanding above, but is not included in the following amortization schedule.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

The annual requirements to amortize debt outstanding as of December 31, 2002, including interest payments of \$1,666,092, are as follows:

Year Ending December 31	USDA 79-01	USDA 92-07	Swimming Pool Bond Retirement	Total OWDA Loans	Total OPWC Loans	Total Vehicle Acquisition Bonds	Total General Obligation Notes	Total
2003	\$ 13,809	\$ 55,180	\$ 29,160	\$ 191,624	\$ 4,751	\$ 42,193	\$ 43,659	\$ 380,376
2004	13,809	56,685	23,275	191,624	7,773	28,265	43,659	365,090
2005	13,809	57,145	27,685	191,624	7,773	17,676	43,473	359,185
2006	13,809	57,560	21,800	191,624	7,773	0	0	292,566
2007	13,809	56,930	26,210	191,624	7,773	0	0	296,346
2008-2012	69,045	283,750	131,890	958,125	38,863	0	0	1,481,673
2012-2017	11,302	284,220	97,980	309,111	38,862	0	0	741,475
2018-2022	0	283,785	0	0	38,863	0	0	322,648
Thereafter	0	920,810	0	0	3,886	0	0	924,696
<b>Total</b>	<b>\$ 149,392</b>	<b>\$ 2,056,065</b>	<b>\$ 358,000</b>	<b>\$ 2,225,356</b>	<b>\$ 156,317</b>	<b>\$ 88,134</b>	<b>\$ 130,791</b>	<b>\$ 5,164,055</b>

The City entered into a lease agreement with Ford Motor Credit in October 2000 for the acquisition of a dump truck with snow plow and salt spreader. The following is a schedule of future minimum lease payments under capital lease with the net present value of the minimum lease payments as of December 31, 2002.

	2003	\$ 8,997
	2004	<u>8,997</u>
Total minimum lease payments		17,994
Less: Amounts representing interest		<u>1,807</u>
Net present value of minimum lease payments		<u>\$ 16,187</u>

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

**NOTE 6 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ending December 31, 2002, the City contracted with Specialty National Insurance Company for building and personal property coverage in the amount of \$23,792,590. The policies include a \$1,000 deductible.

Professional and general liability is protected by the Specialty National Insurance Company with a \$1,000,000 single occurrence limit with \$3,000,000 aggregate and no deductible. Vehicles are covered by the Specialty National Insurance Company and hold a \$500 deductible for collision. Vehicle liability had a \$1,000,000 combined single limit of liability. Settled claims have not exceeded any aforementioned commercial coverage, nor has insurance coverage been significantly reduced, in any of the past three years.

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

The City provides a comprehensive health insurance plan with Anthem Blue Cross/Blue Shield for all eligible employees. The City pays 100% of all premiums. The monthly premium for this coverage is \$832.47 for family, \$592.73 for two persons, and \$269.67 for an individual. This insurance provides prescription drug insurance.

Dental coverage is also provided through Anthem Blue Cross/Blue Shield. The City pays 100% of the premium for employees. Monthly premiums for this coverage are \$64.64 and \$21.69, respectively, for family and single coverage.

Vision coverage is through VSP. Premiums for family and member plus one coverage are \$16.57. Individual coverage is \$7.32 monthly.

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

**NOTE 7 – PENSION OBLIGATIONS**

**A. Public Employees Retirement System**

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

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

Plan members are required to contribute 8.5% of their annual covered salary. The City is required to contribute 13.55%. The Ohio Revised Code provides statutory authority for employee and employer contribution rates. The City's required contribution to PERS for the year ending December 31, 2002 was \$112,315. 100% has been contributed for 2002.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. The City's contributions to OP&F for the year ending December 31, 2002 were \$47,064. 100% has been contributed for 2002.

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

**A. Public Employees Retirement System**

PERS also provides postemployment health care benefits to age and service retirees thereon with ten (10) or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants, and health care coverage for disability recipients. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care which is considered an Other Postemployment Benefit (OPEB). The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund postretirement health care through their contributions to PERS. Of the 10.84% employer contribution rate for the City, 5.0% was used to fund health care for the year 2002, which amounted to \$41,444. Through the contributions of employers and the investment earnings thereon, the amount allocated to retiree health care is expected to be sufficient to maintain the program indefinitely.

As of December 31, 2001 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$11.6 billion and the number of active contributing participants in OPEB was 402,041.

**CITY OF NEW LEXINGTON, OHIO**

**Notes to the Financial Statements  
December 31, 2002**

---

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

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

The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The amount of the employer's contribution used to fund postemployment benefits was \$18,685 in 2002. The OP&F total health care expense for the year ending December 31, 2001, the date of the latest actuarial valuation available, was \$122,298,771, which was net of member contributions of \$6,874,699. The number of participants eligible to receive health care benefits is 13,174 for Police and 10,239 for Firefighters.

**NOTE 9 – JOINTLY GOVERNED ORGANIZATION**

**New Lexington-Pike Township Union Cemetery**

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

**NOTE 10 – CONTINGENCIES**

**Litigation**

The City is not a party to any litigation that would have a material effect on their financial position.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 28, 2003

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

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

We have audited the financial statements of the City of New Lexington (the "City") as of and for the year ended December 31, 2002, and have issued our report thereon dated August 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* as listed in the Schedule of Findings #2002-001 and #2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted an instance involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items #2002-003 through #2002-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, reportable conditions #2002-003 and #2002-004 described above are considered to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated August 28, 2003.

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

*Rea & Associates, Inc.*



# Rea & Associates, Inc.

---

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 28, 2003

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

Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Program and Internal  
Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the City of New Lexington (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of New Lexington complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the financial statements of the City of New Lexington as of and for the year ended December 31, 2002, and have issued our report thereon dated August 28, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**CITY OF NEW LEXINGTON  
PERRY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Award Amount</u>	<u>2002 Expenditures</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):				
(Passed through Ohio Department of Development):				
Community Development Block Grant	14.228	A-W--01-153-1	\$ 471,000	\$ 459,853
(Passed through Perry County):				
Community Development Block Grant	14.228	B-F-00-059-01	28,000	27,822
		B-F-01-059-01	29,600	<u>29,600</u>
				57,422
Total CFDA #14.228				<u>517,275</u>
Total Expenditures of Federal Awards				<u>\$ 517,275</u>

Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the City's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**CITY OF NEW LEXINGTON  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, SECTION .505  
DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Material Noncompliance

FINDING NUMBER	2002 – 001
----------------	------------

**Ohio Admin. Code §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 the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other legal administrative remedies may be taken against the City.

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

**CITY OF NEW LEXINGTON  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
OMB CIRCULAR A-133, SECTION .505  
DECEMBER 31, 2002**

FINDING NUMBER	2002 – 002
----------------	------------

**Ohio Rev. Code Section 5705.41(B)** prohibits the expenditure of funds unless they have been properly appropriated. As of December 30, 2002, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance
Street	\$ 178,985	\$ 145,276	\$ (33,709)
Cemetery	22,131	17,500	(4,631)
Fire/EMS	429,832	376,815	(53,017)
Pool Bond Retirement	24,762	15,000	(9,762)
Community Building	163,526	137,000	(26,526)
Meter Replacement	133,917	122,063	(11,854)
Water Revenue	734,544	546,842	(187,702)
Sewer Revenue	1,209,419	384,599	(824,820)
Sewer Bond Retirement	152,729	128,000	(24,729)

We recommend the City monitor expenditures to ensure they are not exceeding appropriations.

Material Weaknesses

FINDING NUMBER	2002 – 003
----------------	------------

**Financial Reporting System**

We noted the financial reporting system currently being used is not working to ensure accurate financial data for the City.

The system is recording revenues and expenditures on an accrual basis, while the City reports on a cash basis. Information used from the system to prepare the financial statements sent to the State Auditor resulted in incorrect fund balances. Significant and time-consuming reviews of all data had to be performed in order to determine the correct revenues and expenditures for each fund. Various reports from the system could not be reconciled without this review. We are not able to reconcile the system's cash report to the bank. However, a manual record is maintained, which is reconciled to the bank.

There is no system's manual to refer to when problems arise, and support from the computer company is also not always available when needed.

**CITY OF NEW LEXINGTON  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
OMB CIRCULAR A-133, SECTION .505  
DECEMBER 31, 2002**

We recommend the employees be adequately trained on this system and that sufficient support services be available to meet this need. Each month the totals on all reports need to be reconciled to ensure consistency of data. Detailed transaction reports should be reviewed to determine all entries are made to a valid and proper account. Without this type of consistent and detailed review, the accounting records of the City may not be reliable for financial reporting.

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.

FINDING NUMBER	2002 – 004
----------------	------------

**Budgetary Laws and Regulations Process**

The City does not have a process in place to assure the duties of the Finance Director, Finance Committee, and Council are complying with all the budgetary laws and regulations. As a result, the City is in violation of numerous budgetary laws and regulations as described in the accompanying audit report.

We recommend the City Administration encourage and require the Finance Director to obtain 16 to 40 hours per year of continuing education related to governmental affairs. We also recommend members of Council's Finance Committee obtain additional continuing education pertaining to budgetary laws and ordinance and resolution requirements. Then the City should establish a chart of all budgetary laws, date requirements for those laws, person responsible for complying with the law, and establishing the person(s) responsible for overseeing that compliance matters are being adhered to.

Reportable Conditions

FINDING NUMBER	2002 – 005
----------------	------------

**Expenditure Documentation**

The City Finance office does not have an effective process in place to file incoming bills/invoices, vouchering the bills, departmental head approval, payment, and filing of the paid voucher package. As a result our testing revealed that 10 of 51 disbursements were made with no supporting invoice attached in the file. In order to verify the checks were paid to the proper vendors we reviewed the cancelled checks for payee and endorsement. The City was not able to locate the checks for two of the payments and had to obtain copies from the bank for the verification process.

**CITY OF NEW LEXINGTON  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
OMB CIRCULAR A-133, SECTION .505  
DECEMBER 31, 2002**

We recommend all invoices be signed off by the department head receiving the goods, the purchase order should be indicated on the voucher package as well as the fund, function, and object code, the invoices should be entered into the system daily and attached to the voucher package. Open invoices should be filed in alphabetical order daily. Invoices for payment, including the voucher package, should be reviewed and approved by the City Administrator, Finance Committee, or Mayor. This will reduce the risk that erroneous and fraudulent disbursements would be made and not be detected in a timely manner by employees in the normal course of their assigned duties. This would also reduce the risk that expenditures would be made without the proper documentation being filed.

FINDING NUMBER	2002 – 006
----------------	------------

**Accounting Manual**

The City does not have an accounting manual describing the procedures to follow to complete accounting tasks. This could present a significant problem if an employee is off work for a lengthy period of time, or turnover in employees occur. We noted inconsistencies in the account coding that lead to several fund, as well as object code misclassifications.

We recommend an accounting manual be compiled which outlines each accounting task, including specific step-by-step instructions on how to accomplish certain tasks, time deadlines, authorization signatures and documents required, and any other items deemed significant by the City Finance Director.

We also recommend that employees be cross-trained in the accounting tasks as deemed necessary by the Finance Director to give greater assurance that the accounting process continues to operate effectively in case an employee is off work for a significant period of time.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

**None.**

**CITY OF NEW LEXINGTON**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-001	A noncompliance citation was issued under Ohio Admin. Code §117-2-03(B), for failing to prepare the City's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: This item is reissued as finding number 2002-001 for 2002.
2001-002	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) prohibiting the expenditure of funds unless they have been properly appropriated.	No	Not Corrected: This item is reissued as finding number 2002-002 for 2002.
2001-03	A noncompliance citation was issued under Ohio Rev. Code Section 135.18 and 135.181 for failing to have adequate collateral for public funds.	Yes	Corrective Action Taken: public funds are now adequately collateralized.
2001-04	A material weakness was noted in the computer software program used for financial reporting because the system is inadequate to ensure accurate financial data for the City.	No	Not Corrected: : This item is reissued as finding number 2002-003 for 2002.



CITY OF NEW LEXINGTON  
PERRY COUNTY

CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
FOR THE YEAR ENDED DECEMBER 31, 2002

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	The City does not intend to change from the cash basis of reporting at this time.		Teri Moore, Finance Director
2002-002	The City will monitor funds more closely beginning in FY03. A system will be developed to review appropriations and expenditures.	December 31, 2003	Teri Moore, Finance Director
2002-003	The City is planning to review other computer program options to determine if a more appropriate computer system can be obtained.	December 31, 2004	Teri Moore, Finance Director
2002-004	The City has been sending appropriate personnel for seminars and training in areas related to their work function. The Finance Director will be attending annual training sessions beginning in FY03.	September 30, 2003	Teri Moore, Finance Director
2002-005	The City is reviewing the current processes for expenditures and will be developing a system of controls and procedures that will provide adequate documentation and authorization for payments.	December 31, 2003	Teri Moore, Finance Director
2002-006	The City is attempting to contact various other cities and the Auditor of State for information and samples of accounting manuals.	Unknown	Teri Moore, Finance Director





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CITY OF NEW LEXINGTON**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 4, 2003**