

**VILLAGE OF NEW LEXINGTON  
PERRY COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2014 – DECEMBER 31, 2014**

**Wilson, Phillips & Agin, CPA's, Inc.  
1100 Brandywine Blvd. Building G  
Zanesville, Ohio 43701**





# Dave Yost • Auditor of State

Village Council  
Village of New Lexington  
215 South Main Street  
New Lexington, Ohio 43764

We have reviewed the *Independent Auditor's Report* of the Village of New Lexington, Perry County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2014. 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 Village of New Lexington is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 2, 2015

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**VILLAGE OF NEW LEXINGTON  
PERRY COUNTY**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

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

To the Village Council:

***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of Village of New Lexington, Perry County as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprised the Village's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of New Lexington, Perry County, as of December 31, 2014 and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and Fire & EMS Levy Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

**Emphasis of Matters**

As discussed in Note 15 to the financial statements, the Village has suffered recurring losses from operations and has a net position deficiency. Note 15 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

***Other Matters***

***Supplemental and Other Information***

We applied no procedures to the Management's Discussion and Analysis presented on pages 3-9 of the report, and accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2015, on our consideration of Village of New Lexington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 23, 2015

**Village of New Lexington**  
**Perry County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

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The management's discussion and analysis of the Village of New Lexington's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2014, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- The total net position of the Village increased \$574,674. Net position of governmental activities increased \$222,687 and net position of business-type activities increased \$351,987 from 2013.
- General cash receipts of Governmental Activities totaled \$1,296,932 and amounted to 63% of total cash receipts. Program specific cash receipts accounted for \$746,937 or 37% of total governmental activities cash receipts. Total governmental activities cash receipts for 2014 were \$2,043,869.
- The Village had \$1,821,182 in cash disbursements related to governmental activities; \$746,937 of these cash disbursements were offset by program specific charges for services and sales, grants or contributions. The remaining cash disbursements of the governmental activities of \$1,074,245 were partially offset by general cash receipts (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$1,296,932 and beginning net position balances of (\$509,538).
- The Village's major governmental funds are the General Fund, the Fire and EMS Levy Special Revenue Fund, and Pool Improvement Bond Debt Service Fund. The General Fund had cash receipts of \$1,266,041 and cash disbursements of \$1,164,463. The net increase in fund balance for the General Fund was \$101,578.
- The Fire and EMS Levy Fund had cash receipts of \$454,397 and cash disbursements of \$406,162. The net increase in fund balance was \$48,235.
- The Pool Improvement Bond Fund had cash receipts of \$28,779 and cash disbursements of \$24,583. The net increase in fund balance was \$4,196.
- The Water Fund had cash receipts \$1,197,576 and cash disbursements of \$1,002,602 in 2014. The net change in net position was an increase of \$194,974.
- The Sewer Fund had cash receipts of \$1,432,415 and cash disbursements of \$1,275,951 in 2014. The net change in net position was an increase of \$156,464.

**Using the Basic Financial Statements**

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

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

**Village of New Lexington**  
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*(Unaudited)*

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

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

**Reporting the Village as a Whole**

*Statement of Net Position and the Statement of Activities*

A general question typically asked about the Village's finances is "How did we do financially during 2014?" The statement of net position-cash basis and the statement of activities-cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's cash receipts and cash disbursements if the cash is actually received or paid.

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

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

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

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

**Reporting the Village's Most Significant Funds**

*Fund Financial Statements*

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

**Village of New Lexington**  
**Perry County**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

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*Governmental Funds*

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

*Proprietary Funds*

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

**The Village of New Lexington as a Whole**

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

The table below provides a summary of the Village's net position for 2014.

	Net Position	
	Governmental Activities	Business-Type Activities
	2014	2014
Assets:		
Cash and investments	(\$286,851)	\$1,296,477
Total assets	(\$286,851)	\$1,296,477
Net position:		
Restricted	\$243,246	\$0
Unrestricted (deficit)	(530,097)	1,296,477
Total net assets	(\$286,851)	\$1,296,477

The total net position of the Village was \$1,009,626.

**Village of New Lexington**  
**Perry County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
(Unaudited)

The table below provides a summary of the Village's net position for 2014.

	Change in Net Position	
	Governmental Activities	Business-Type Activities
	2014	2014
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$545,259	\$1,967,520
Operating grants and contributions	201,678	186,250
Capital grants and contributions	0	0
Total program cash receipts	746,937	2,153,770
General Cash receipts:		
Property taxes	210,271	0
Income taxes	857,916	0
Other local taxes	7,768	0
Unrestricted grants and entitlements	87,099	0
Interest	2,565	0
Loan Proceeds	0	455,374
Cable franchise fees	27,063	0
Miscellaneous	104,250	46,810
Total general cash receipts	1,296,932	502,184
Total cash receipts	2,043,869	2,655,954
Cash Disbursements:		
General government	332,748	0
Security of persons and property	1,018,876	0
Public Health Services	26,206	
Leisure time activities	52,378	0
Transportation	182,093	0
Capital outlay	7,468	0
Debt service:		
Principal	119,283	0
Interest and fiscal charges	82,130	0
Water	0	1,028,016
Sewer	0	1,275,951
Total cash disbursements	1,821,182	2,303,967
Change in net position	222,687	351,987
Net position, beginning of year	(509,538)	944,490
Net position, end of year	(\$286,851)	\$1,296,477

**Village of New Lexington**  
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Governmental activities net position increased \$222,687 in 2014. Security of persons and property, which primarily supports the operations of the police, fire, and emergency medical services departments, accounted for \$1,018,876 of the total cash disbursements of the Village. General cash receipts totaled \$1,296,932 and amounted to 63% of total cash receipts. General cash receipts primarily consist of property and income tax receipts, and unrestricted grants and entitlements.

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

Governmental Activities		
Program Cash Receipts vs. Total Cash Disbursements		
	Total Cost of Services 2014	Net Cost of Services 2014
Program cash disbursements:		
General government	\$332,748	\$320,787
Basic utility services	0	(4,200)
Security of persons and property	1,018,876	518,118
Leisure time activity	52,378	9,312
Community Environment	0	(4,160)
Public Health Services	26,206	26,206
Transportation	182,093	(699)
Capital outlay	7,468	7,468
Debt service:		
Principal	119,283	119,283
Interest and fiscal charges	82,130	82,130
<b>Total</b>	<b>\$1,821,182</b>	<b>\$1,074,245</b>

*Business-Type Activities*

Business-type activities include the water and sewer funds. These major funds had program cash receipts of \$2,655,954, general cash receipts of \$502,184 and cash disbursements of \$2,303,967 for 2014.

**Financial Analysis of the Village's Funds**

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

*Governmental Funds*

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

**Village of New Lexington**  
**Perry County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

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The Village's governmental funds reported a combined fund cash balance of (\$166,962). The schedule below indicates the fund cash balance as of December 31, 2014 for all major and nonmajor governmental funds.

	Fund Balances (Deficits) 12/31/14
Major funds:	
General	(\$166,962)
Fire and EMS	(363,135)
Pool Improvement Bond	58,587
Other governmental funds	184,659
Total	(\$286,851)

**Budgeting Highlights - General Fund**

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

Budgetary information is presented for the General Fund and Fire and EMS Levy Fund. In the General Fund, the actual cash receipts and other financing sources were \$1,266,041 and actual cash disbursements were \$1,182,321.

**Capital Assets and Debt Administration**

*Capital Assets*

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as cash disbursements. The Village had capital outlay cash disbursements of \$7,468 in governmental funds during 2014.

*Debt Administration*

The Village had the following long-term obligations outstanding at December 31, 2014:

	Governmental Activities 2014
General obligation bonds	\$45,000
General obligation notes	1,685,897
General obligation capital leases	11,641
Total long-term obligations	\$1,742,538

**Village of New Lexington**  
**Perry County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

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	Business-Type Activities
	<u>2014</u>
Sanitary Sewer revenue bonds	\$824,000
OWDA loans	2,947,201
OPWC loans	367,972
Capital leases	<u>34,923</u>
Total long-term obligations	<u>\$3,723,242</u>

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

**Contacting the Village's Financial Management**

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

**Village of New Lexington**  
*Perry County*

*Statement of Net Position - Cash Basis*  
*December 31, 2014*

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ (286,851)	\$ 1,296,477	\$ 1,009,626
<b>Total Assets</b>	<b>\$ (286,851)</b>	<b>\$ 1,296,477</b>	<b>\$ 1,009,626</b>
<b>NET POSITION:</b>			
Restricted for:			
Debt Service	58,587	-	58,587
Other Purposes	184,659	-	184,659
Unrestricted	(530,097)	1,296,477	766,380
<b>Total Net Assets</b>	<b>\$ (286,851)</b>	<b>\$ 1,296,477</b>	<b>\$ 1,009,626</b>

See notes to basic financial statements.

**Village of New Lexington**  
Perry County

*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2014*

	<u>Cash</u> <u>Disbursements</u>	<u>Charges for</u> <u>Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
Current:							
Security of Persons and Property	\$ 1,018,876	\$ 500,758	\$ -	\$ -	\$ (518,118)	\$ -	\$ (518,118)
Public Health Services	26,206	-	-	-	(26,206)	-	(26,206)
Leisure Time Activities	52,378	24,180	18,886	-	(9,312)	-	(9,312)
Community Environment	-	4,160	-	-	4,160	-	4,160
Basic Utility Services	-	4,200	-	-	4,200	-	4,200
Transportation	182,093	-	182,792	-	699	-	699
General Government	332,748	11,961	-	-	(320,787)	-	(320,787)
Capital Outlay	7,468	-	-	-	(7,468)	-	(7,468)
Debt Service							
Principal Retirement	119,283	-	-	-	(119,283)	-	(119,283)
Interest and Fiscal Charges	82,130	-	-	-	(82,130)	-	(82,130)
<i>Total Governmental Activities</i>	<u>1,821,182</u>	<u>545,259</u>	<u>201,678</u>	<u>-</u>	<u>(1,074,245)</u>	<u>-</u>	<u>(1,074,245)</u>
<b>Business Type Activities</b>							
Water Operating	1,002,602	1,174,171	-	-	-	171,569	171,569
Sewer Operating	1,275,951	767,386	186,250	-	-	(322,315)	(322,315)
Guaranteed Water Deposits	25,414	25,963	-	-	-	549	549
<i>Total Business Type Activities</i>	<u>2,303,967</u>	<u>1,967,520</u>	<u>186,250</u>	<u>-</u>	<u>-</u>	<u>(150,197)</u>	<u>(150,197)</u>
<i>Total Primary Government</i>	<u>\$ 4,125,149</u>	<u>\$ 2,512,779</u>	<u>\$ 387,928</u>	<u>\$ -</u>	<u>(1,074,245)</u>	<u>(150,197)</u>	<u>(1,224,442)</u>
<b>General Receipts:</b>							
Property Taxes					210,271	-	210,271
Other Local Taxes					7,768	-	7,768
Income Taxes					857,916	-	857,916
Grants and Entitlements not							
Restricted to Specific Programs					87,099	-	87,099
Loan Proceeds					-	455,374	455,374
Cable Franchise Fees					27,063	-	27,063
Earnings on Investments					2,565	-	2,565
Miscellaneous					104,250	46,810	151,060
<i>Total General Receipts</i>					<u>1,296,932</u>	<u>502,184</u>	<u>1,799,116</u>
Change in Net Position					222,687	351,987	574,674
<i>Net Position Beginning of Year</i>					<u>(509,538)</u>	<u>944,490</u>	<u>434,952</u>
<i>Net Position End of Year</i>					<u>\$ (286,851)</u>	<u>\$ 1,296,477</u>	<u>\$ 1,009,626</u>

See notes to the basic financial statements.

**Village of New Lexington**  
Perry County

*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2014*

	<u>General</u>	<u>Fire &amp;EMS Levy</u>	<u>Pool Bond</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and cash Equivalents	\$ (166,962)	\$ (363,135)	\$ 58,587	\$ 184,659	\$ (286,851)
<i>Total Assets</i>	<u>\$ (166,962)</u>	<u>\$ (363,135)</u>	<u>\$ 58,587</u>	<u>\$ 184,659</u>	<u>\$ (286,851)</u>
<b>Fund Cash Balances:</b>					
Restricted	\$ -	\$ -	\$ 58,587	\$ 184,659	\$ 243,246
Unassigned	<u>(166,962)</u>	<u>(363,135)</u>	<u>-</u>	<u>-</u>	<u>(530,097)</u>
<i>Total Fund Cash Balances</i>	<u>\$ (166,962)</u>	<u>\$ (363,135)</u>	<u>\$ 58,587</u>	<u>\$ 184,659</u>	<u>\$ (286,851)</u>

See notes to basic financial statements.

**Village of New Lexington**  
Perry County

*Statement of Receipts, Disbursements and Changes in Fund Balance - Cash Basis*  
*Governmental Funds*  
*For The Year Ended December 31, 2014*

	<b>General</b>	<b>Fire &amp;EMS Levy</b>	<b>Pool Bond</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts</b>					
Municipal Income Taxes	\$ 857,916	\$ -	\$ -	\$ -	\$ 857,916
Property Taxes	59,644	66,146	25,562	58,919	210,271
Other Local Taxes	300	-	-	7,468	7,768
Intergovernmental	63,843	14,657	3,217	188,286	270,003
Charges for Services	167,425	361,601	-	17,965	546,991
Fines, Licenses and Permits	37,573	950	-	4,661	43,184
Earnings on Investments	2,145	-	-	420	2,565
Miscellaneous	77,195	11,043	-	16,933	105,171
<i>Total Receipts</i>	<u>1,266,041</u>	<u>454,397</u>	<u>28,779</u>	<u>294,652</u>	<u>2,043,869</u>
<b>Disbursements:</b>					
Current:					
Security of Persons and Property	660,707	354,079	-	4,090	1,018,876
Public Health Services	-	-	-	26,206	26,206
Leisure Time Activities	49,613	-	748	2,017	52,378
Transportation	-	-	-	182,093	182,093
General Government	332,748	-	-	-	332,748
Capital Outlay	-	-	-	7,468	7,468
Debt Service					
Principal Retirement	47,372	48,241	20,000	3,670	119,283
Interest and Fiscal Charges	74,023	3,842	3,835	430	82,130
<i>Total Disbursements</i>	<u>1,164,463</u>	<u>406,162</u>	<u>24,583</u>	<u>225,974</u>	<u>1,821,182</u>
<i>Net Change in Fund Balance</i>	101,578	48,235	4,196	68,678	222,687
<i>Cash Fund Balances Beginning of Year</i>	<u>(268,540)</u>	<u>(411,370)</u>	<u>54,391</u>	<u>115,981</u>	<u>(509,538)</u>
<i>Cash Fund Balances End of Year</i>	<u>\$ (166,962)</u>	<u>\$ (363,135)</u>	<u>\$ 58,587</u>	<u>\$ 184,659</u>	<u>\$ (286,851)</u>

See notes to basic financial statements.

**Village of New Lexington**  
Perry County

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual  
General Fund  
For The Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Municipal Income Taxes	\$ 777,470	\$ 777,470	\$ 857,916	\$ 80,446
Property Taxes	63,165	63,165	59,644	(3,521)
Other Local Taxes	-	-	300	300
Intergovernmental	10,800	5,300	63,843	58,543
Charges for Services	345,600	241,565	167,425	(74,140)
Fines, Licenses and Permits	26,700	26,700	37,573	10,873
Earnings on Investments	2,000	2,000	2,145	145
Miscellaneous	10,100	10,100	77,195	67,095
<i>Total Receipts</i>	<u>1,235,835</u>	<u>1,126,300</u>	<u>1,266,041</u>	<u>139,741</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	678,490	711,545	668,875	42,670
Leisure Time Activities	18,615	53,328	49,613	3,715
General Government	504,528	379,377	342,438	36,939
Debt Service				
Principal Retirement	-	47,372	47,372	-
Interest and Fiscal Charges	-	74,023	74,023	-
<i>Total Disbursements</i>	<u>1,201,633</u>	<u>1,265,645</u>	<u>1,182,321</u>	<u>83,324</u>
<i>Net Change in Fund Balance</i>	34,202	(139,345)	83,720	223,065
<i>Unencumbered Fund Balances Beginning of Year</i>	<u>(273,069)</u>	<u>(273,069)</u>	<u>(273,069)</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>4,529</u>	<u>4,529</u>	<u>4,529</u>	<u>-</u>
<i>Unencumbered Fund Balances End of Year</i>	<u>\$ (234,338)</u>	<u>\$ (407,885)</u>	<u>\$ (184,820)</u>	<u>\$ 223,065</u>

See notes to basic financial statements.

**Village of New Lexington**  
Perry County

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual  
Fire & EMS Levy Fund  
For The Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$ 65,000	\$ 65,000	\$ 66,146	\$ 1,146
Intergovernmental	2,910	2,910	14,657	11,747
Charges for Services	348,945	418,000	361,601	(56,399)
Fines, Licenses and Permits	-	500	950	450
Miscellaneous	-	500	11,043	10,543
<i>Total Receipts</i>	<u>416,855</u>	<u>486,910</u>	<u>454,397</u>	<u>(32,513)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	462,168	410,085	364,694	45,391
Debt Service				
Principal Retirement	-	48,241	48,241	-
Interest and Fiscal Charges	-	3,842	3,842	-
<i>Total Disbursements</i>	<u>462,168</u>	<u>462,168</u>	<u>416,777</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(45,313)	24,742	37,620	12,878
<i>Unencumbered Fund Balances Beginning of Year</i>	<u>(414,703)</u>	<u>(414,703)</u>	<u>(414,703)</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>3,333</u>	<u>3,333</u>	<u>3,333</u>	<u>-</u>
<i>Unencumbered Fund Balances End of Year</i>	<u>\$ (456,683)</u>	<u>\$ (386,628)</u>	<u>\$ (373,750)</u>	<u>\$ 12,878</u>

See notes to basic financial statements.

**Village of New Lexington**  
Perry County

*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2014*

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	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>ASSETS:</b>				
Equity in Pooled Cash and cash Equivalents	<u>\$ 833,657</u>	<u>\$ 387,206</u>	<u>\$ 75,614</u>	<u>\$ 1,296,477</u>
<i>Total Assets</i>	<u><u>\$ 833,657</u></u>	<u><u>\$ 387,206</u></u>	<u><u>\$ 75,614</u></u>	<u><u>\$ 1,296,477</u></u>
<b>Net Position:</b>				
Unrestricted	<u>833,657</u>	<u>387,206</u>	<u>75,614</u>	<u>1,296,477</u>
<i>Total Net Position</i>	<u><u>\$ 833,657</u></u>	<u><u>\$ 387,206</u></u>	<u><u>\$ 75,614</u></u>	<u><u>\$ 1,296,477</u></u>

See notes to basic financial statements.

**Village of New Lexington**  
Perry County

*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For The Year Ended December 31, 2014*

	<b>Water Operating</b>	<b>Sewer Operating</b>	<b>Other Enterprise Funds</b>	<b>Enterprise Total</b>
<b>Operating Receipts:</b>				
Charges for Services	\$ 1,169,855	\$ 763,190	\$ 25,963	\$ 1,959,008
Miscellaneous	4,316	4,196	-	8,512
<i>Total Operating Receipts</i>	<u>1,174,171</u>	<u>767,386</u>	<u>25,963</u>	<u>1,967,520</u>
<b>Operating Disbursements:</b>				
Personal Services	227,496	210,717	-	438,213
Employee Fringe Benefits	96,925	77,785	-	174,710
Contractual Services	284,457	260,916	-	545,373
Supplies and Materials	275,573	130,254	-	405,827
Other	14,128	-	25,414	39,542
<i>Total Operating Disbursements</i>	<u>898,579</u>	<u>679,672</u>	<u>25,414</u>	<u>1,603,665</u>
<i>Operating Income (Loss)</i>	275,592	87,714	549	363,855
<b>Non-Operating Receipts (Disbursements)</b>				
Intergovernmental	-	186,250	-	186,250
Loan Proceeds	-	455,374	-	455,374
Miscellaneous	23,405	23,405	-	46,810
Capital Outlay	-	(455,374)	-	(455,374)
Debt Service:				
Principal	(73,190)	(83,557)	-	(156,747)
Interest	(30,833)	(57,348)	-	(88,181)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(80,618)</u>	<u>68,750</u>	<u>-</u>	<u>(11,868)</u>
<i>Change in Position</i>	194,974	156,464	549	351,987
<i>Net Position Beginning of Year</i>	<u>638,683</u>	<u>230,742</u>	<u>75,065</u>	<u>944,490</u>
<i>Net Position End of Year</i>	<u>\$ 833,657</u>	<u>\$ 387,206</u>	<u>\$ 75,614</u>	<u>\$ 1,296,477</u>

See notes to basic financial statements.

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 1 – Reporting Entity**

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

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

Primary Government

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

Jointly Governed Organizations

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

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

**Note 2 – Summary of Significant Accounting Policies**

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

Basis of Presentation

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

*Government-Wide Financial Statements*

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

#### *Fund Financial Statements*

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

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

#### Fund Accounting

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

#### *Governmental Funds*

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

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

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

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

*Proprietary Funds*

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

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Cash and Investments

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

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

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

During 2014, the Village invested in certificates of deposit which are reported at cost. Interest earnings are allocated to Village funds according to State statutes and codified ordinances of the Village, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2014 were \$2,145.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted. The Village did not have any restricted assets during 2014.

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. The Village did not have interfund receivables/payables during 2014.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Long-Term Obligations

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

Net Position

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

Fund Balance

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

*Non-spendable* The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. At December 31, 2014, the Village did not report any fund balance as non-spendable.

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

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

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

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

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

Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Village did not report any transfers during 2014.

**Note 3 – Budgetary Basis of Accounting**

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

General Fund	\$17,858
Fire and EMS Fund	10,615

**Note 4 – Compliance and Accountability**

Negative Cash Fund Balances

The Village had negative fund balances in the General Fund and Fire and EMS Levy Fund at December 31, 2014, which is contrary to Ohio Revised Code Section 5705.10 (I).

Appropriations Exceeding Actual Resources

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

Appropriations Exceeding Estimated Resources

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 5 – Deposits and Investments**

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

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

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

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

Interim monies held by the Village can be deposited or invested in the following securities:

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

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

**Village of New Lexington**  
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*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

The Village did not have any undeposited cash on hand.

Deposits

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village’s bank balance of \$962,361 was either insured by the Federal Deposit Insurance Corporation or collateralized by pledged securities of its banking institution as described below.

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

Investments

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Village’s certificate of deposit balance of \$76,405, with a maturity of 7 months or less, was insured by the Federal Deposit Insurance Corporation.

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

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

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

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

Reconciliation of Cash and Investments

The Village’s equity in pooled cash and investments of \$1,009,626 at December 31, 2014 is comprised of the carrying amount of the Village’s deposits and investments (certificate of deposit) of \$933,221 and \$76,405, respectively.

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 6 – Income Taxes**

The Village levies a 1% income tax on substantially all income earned in the Village. In addition, Village residents employed in other municipalities withholding income tax do not receive a reciprocity credit. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual reconciliation. 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 2014, the receipts were allocated to the General Fund in the amount of \$857,916.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Village. Property tax receipts received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2014, on assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2013 real property taxes are collected in and intended to finance 2014.

Real property taxes are payable annually and semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2014 was \$5.70 per \$1,000 of assessed value. The assessed value upon which 2014 tax collections were based was \$138,888,510. This amount consisted of \$130,555,199 and \$8,333,311 of real property assessed value and public utility property assessed value, respectively.

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

**Note 8 – Risk Management**

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

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

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	2013	2014
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	\$21,651,689	\$23,038,920

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed to approximately 488 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Government's share of these unpaid claims collectible in future years is approximately \$44,626.

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

During 2014, the Village made contributions to PEP in the amount of \$67,615.

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 9 – Defined Benefit Pension Plans**

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  - 3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtm>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans.

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

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

The Village's contributions to OPERS for the years ended December 31, 2014, 2013, and 2012 were \$123,757, \$129,198, and \$104,166, respectively, which were equal to the required contributions for those years. The full amount has been contributed for 2014, 2013, and 2012.

Ohio Police and Fire Pension Fund

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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From January 1, 2014 thru July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 thru December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2014, 2013, and 2012 were \$43,076, \$48,341, and \$41,520, respectively. The full amount has been contributed for 2014, 2013, and 2012.

**Note 10 – Postemployment Benefits**

Ohio Public Employees Retirement System

A. Plan Description

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring after January 1, 2015. Please see Plan Statement in the OPERS 2013 CAFR for details.

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

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

B. Funding Policy

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.10%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$9,491 for 2014, \$9,225 for 2013, and \$41,666 for 2012. The full amount has been contributed for 2014, 2013, and 2012.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

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

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

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

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Funding Policy –The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and firefighters, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions to OP&F allocated to the health care plan for the years ending December 31, 2014, 2013, and 2012 were \$1,156, \$9,116, and \$21,981, respectively. The full amount has been contributed for 2014, 2013, and 2012.

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

**Note 11 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2014, was as follows:

	Interest Rate	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Due Within One Year
<i>Governmental Activities</i>						
Swimming Pool G.O.						
Bonds	5.9%	\$65,000	\$0	(\$20,000)	\$45,000	\$20,000
Municipal Building Note	4.5%	1,118,260	0	(25,619)	1,092,641	26,785
Building Note	4.5%	540,430	0	(21,753)	518,677	22,743
Police SUV Note	3.45%	22,925	0	(7,377)	15,548	7,634
Squad Note	3.623%	99,895	0	(40,864)	59,031	42,494
Capital Lease	2.808%	15,311	0	(3,670)	11,641	3,773
Total Governmental Activities		<u>\$1,861,821</u>	<u>\$0</u>	<u>(\$119,283)</u>	<u>\$1,742,538</u>	<u>\$123,429</u>
<i>Business-Type Activities</i>						
Sanitary Sewer System						
Revenue Bonds	4.5%	843,000	0	(19,000)	824,000	20,000
Ohio Water						
Development Authority	1.5%-					
Loans	7.89%	2,595,553	455,374	(103,726)	2,947,201	102,074
Ohio Public Works						
Commission Loans	0.0%-2.0%	390,982	0	(23,010)	367,972	23,289
Capital Lease	2.808%	45,934	0	(11,011)	34,923	11,320
Total Business-Type Activities		<u>\$3,875,469</u>	<u>\$455,374</u>	<u>(\$156,747)</u>	<u>\$4,174,096</u>	<u>\$156,683</u>

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

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

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

The Ohio Water Development Authority (OWDA) Loans are payable from the user charges assessed for water and sewer services. These loans were used to make water and sewer system improvements. Beginning balance was restated as of January 1, 2014 to agree to OWDA statements. Two loans do not have amortization schedules completed yet and therefore they are not included in the following amortization table for OWDA loans.

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

The following is a summary of the Village's future annual debt service requirements at December 31, 2014 for governmental activities:

Year	Swimming Pool Bond		Municipal Building Note	
	Principal	Interest	Principal	Interest
2015	\$20,000	\$2,655	\$26,785	\$48,187
2016	25,000	1,475	27,872	47,101
2017	0	0	29,273	45,700
2018	0	0	30,605	44,368
2019	0	0	31,997	42,975
2020-2024	0	0	182,960	155,903
2025-2028	0	0	763,149	107,707
<b>Total</b>	<b>\$45,000</b>	<b>\$4,130</b>	<b>\$1,092,641</b>	<b>\$491,941</b>

Year	Police SUV Note		Building Note	
	Principal	Interest	Principal	Interest
2015	\$7,634	\$471	\$22,743	\$23,078
2016	7,914	205	23,716	22,106
2017	0	0	24,858	20,964
2018	0	0	25,989	19,833
2019	0	0	27,171	18,650
2020-2024	0	0	155,475	76,635
2025-2029	0	0	194,297	34,813
2030	0	0	44,428	1,497
<b>Total</b>	<b>\$15,548</b>	<b>\$676</b>	<b>\$518,677</b>	<b>\$217,576</b>

Year	Squad Note	
	Principal	Interest
2015	\$42,494	\$1,452
2016	16,537	141
2017	0	0
2018	0	0
2019	0	0
<b>Total</b>	<b>\$59,031</b>	<b>\$1,593</b>

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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The following is a summary of the Village's future annual debt service requirements at December 31, 2014 for business-type activities:

Year	Sanitary Sewer Bonds	
	Principal	Interest
2015	\$20,000	\$37,080
2016	21,000	36,180
2017	22,000	35,235
2018	22,000	34,245
2019	23,000	33,255
2020-2024	135,000	149,400
2025-2029	168,000	116,190
2030-2034	209,000	74,655
2035-2038	204,000	23,535
Total	\$824,000	\$539,775

Year	OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest
2015	\$102,074	\$35,948	\$23,289	\$2,784
2016	104,021	34,271	23,572	2,500
2017	105,456	32,567	23,860	2,210
2018	107,189	30,831	24,155	1,916
2019	108,952	29,069	24,456	1,615
2020-2024	559,552	117,178	111,223	3,584
2025-2029	532,285	71,252	46,361	123
2030-2034	408,351	34,647	33,730	0
2035-2039	219,812	6,449	33,730	0
2040-2043	0	0	23,596	0
Total	\$2,247,692	\$392,212	\$367,972	\$14,732

Additionally, the Village has entered into a lease agreement for a backhoe to be used by various Village departments. Annual lease payments of \$16,401 are due in years 2015 through 2017.

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 12 – Fund Balances**

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

Fund Balances	General Fund	Fire & EMS Levy	Pool Bond	Other Governmental Funds	Total
<b>Restricted for</b>					
Road Improvements				\$75,109	\$75,109
Police Operations				16,199	16,199
Drug & Alcohol Education & Enforcement				19,712	19,712
Cemetery				7,926	7,926
Community Development				15,766	15,766
Leisure Time Activities				49,947	49,947
Debt Service			\$58,587		58,587
<i>Total Restricted</i>	\$0	\$0	58,587	184,659	243,246
Unassigned (deficits):	(166,962)	(363,135)			(530,097)
<i>Total Fund Balances</i>	(\$166,962)	(\$363,135)	\$58,587	\$184,659	(\$286,851)

**Note 13 – Contingent Liabilities**

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

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

**Note 14 – Jointly Governed Organization**

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

**Village of New Lexington**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 15 – Financial Condition**

As of December 31, 2014, the Village had a cash-basis governmental activities net position deficiency of \$530,097 and deficit cash-basis fund balances of \$166,962 and \$363,185 in its General Fund and Fire and EMS Levy Fund, respectively. Further, for the year ended December 31, 2014 the Village had cash-basis gains from governmental operations of \$222,687. The Village's management is implementing a combination of cost-cutting and receipt-enhancing changes and other changes (as is determined necessary by Village Council) to address these deficits and negative governmental cash-basis results of operations.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

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

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

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of New Lexington, Perry County as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 23, 2015, wherein we noted that the Village uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2014-01 and Finding 2014-04 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Village of New Lexington's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-01, 2014-02 and 2014-03.

***Entity's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We noted certain matters not requiring inclusion in this report that we have reported to the management of Village of New Lexington in a separate letter dated June 23, 2015.

***Purpose of this Report***

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

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 23, 2015

**VILLAGE OF NEW LEXINGTON  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014**

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

**FINDING NUMBER 2014-01**

**Noncompliance and Material Weakness**

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

At December 31, 2014, the General Fund and Fire& EMS Levy Fund had a negative fund balance of \$166,962 and \$363,135, respectively.

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

**Client Response:** We agree with the finding and are working to reduce and eliminate the negative balances.

**FINDING 2014-02**

**Noncompliance**

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

Based on tests performed, we noted actual resources in the General Fund and Fire & EMS Levy Fund were lower than appropriations by \$299,860 and \$390,789, respectively.

Failure to monitor actual resources and appropriations could result in the Village committing funds to be spent which are not available to spend.

We recommend the Village compare actual resources to appropriations in all funds which are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and making all necessary adjustments to ensure compliance with the above requirements.

**Client Response:** The Village will make every effort to monitor actual resources and adjust appropriations accordingly.

**VILLAGE OF NEW LEXINGTON  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014**

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

**FINDING NUMBER 2014-03**

**Noncompliance**

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total of estimated resources.

Based on tests performed, we noted the General Fund, Street Fund and Fire & EMS Levy Fund had appropriations exceeding estimated resources by \$369,601, \$6,327 and \$386,489 respectively.

Failure to monitor estimated resources and appropriations could result in the Village committing funds to be spent which are not available to spend.

We recommend the Village compare estimated resources to appropriations in all funds that are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to ensure compliance with the above requirements.

Client Response: The Village will make every effort to monitor appropriations and estimated resources.

**FINDING 2014-04**

**Material Weakness – On-Behalf-Of payments not recorded**

Auditor of State Bulletin 2000-08 provides the recommended accounting treatment for on-behalf of grants or capital improvement projects. When a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Village was awarded a loan with the Ohio Water Development Authority to rehab and improve the wastewater treatment facility of \$455,374. This money was paid directly to the vendors by the Ohio Water Development Authority. This activity was not recorded on the Village's financial records nor included in its budgetary calculations. We adjusted the statements to reflect this activity.

Not recording this on-behalf-of activity on the Village financial records could result in an understatement of revenue and expenditures which in turn could result in inaccurate reporting and inaccurate budget numbers.

We recommend the Village be aware of that when receiving on-behalf-of grant or capital improvement projects from the State and Federal government, that the guidance of Auditor of State Bulletin 2000-08 is followed so the proper accounting treatment can be applied to the transaction.

Client Response: We will follow the guidance of Auditor of State Bulletin 2000-08.

**VILLAGE OF NEW LEXINGTON  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2013-001	Noncompliance 5705.09(D) establish a special fund for the separate Fire and EMS levie	Yes	Finding No Longer Valid: Fire Fund created 4/16/14
2013-002	Noncompliance and Material Weakness Negative Fund Balances for General Fund and Fire & EMS Levy Fund	No	Not Corrected Reported as Finding 2014-01
2013-003	Noncompliance 5705.36(A) certify actual revenue is less than on Amended Certificate	No	Not Corrected Reported as Finding 2014-02
2013-004	Noncompliance 5705.39, appropriations exceeding available resources	No	Not Corrected Reported as Finding 2014-03
2013-005	Noncompliance 5705.41(D) funds expended prior to certification	Yes	Finding No Longer Valid:
2013-006	Material Weakness Insufficient accounting system including reclassifications and mispostings	Yes	Finding No Longer Valid:



# Dave Yost • Auditor of State

VILLAGE OF NEW LEXINGTON

PERRY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 15, 2015