



VILLAGE OF LEXINGTON
RICHLAND COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Lexington
Richland County
44 West Main Street
Lexington, Ohio 44904

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lexington, Richland County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lexington, Richland County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

April 21, 2020

Village of Lexington, Ohio
Richland County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 252,863	\$ 374,693	\$ 627,556
Municipal Income Tax	1,996,109	-	1,996,109
Intergovernmental	82,261	326,295	408,556
Donations	-	32,883	32,883
Charges for Services	245	65,351	65,596
Fines, Licenses and Permits	39,407	968	40,375
Earnings on Investments	11,021	10,033	21,054
Miscellaneous	100,849	16,358	117,207
<i>Total Cash Receipts</i>	<u>2,482,755</u>	<u>826,581</u>	<u>3,309,336</u>
Cash Disbursements			
Current:			
Security of Persons and Property	1,146,391	175,699	1,322,090
Public Health Services	6,426	-	6,426
Leisure Time Activities	128,570	135,149	263,719
Community Environment	34,270	152,733	187,003
Basic Utility Services	38,019	-	38,019
Transportation	-	505,610	505,610
General Government	442,474	-	442,474
Debt Service:			
Principal Retirement	-	29,743	29,743
Interest and Fiscal Charges	-	1,850	1,850
<i>Total Cash Disbursements</i>	<u>1,796,150</u>	<u>1,000,784</u>	<u>2,796,934</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>686,605</u>	<u>(174,203)</u>	<u>512,402</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	412,965	412,965
Transfers Out	(370,295)	(42,670)	(412,965)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(370,295)</u>	<u>370,295</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	316,310	196,092	512,402
<i>Fund Cash Balances, January 1</i>	<u>1,187,240</u>	<u>268,043</u>	<u>1,455,283</u>
Fund Cash Balances, December 31			
Restricted	-	464,135	464,135
Unassigned	1,503,550	-	1,503,550
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,503,550</u>	<u>\$ 464,135</u>	<u>\$ 1,967,685</u>

See accompanying notes to the financial statements

Village of Lexington, Ohio
Richland County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 1,246,558	\$ -	\$ 1,246,558
Miscellaneous	-	3,300	3,300
<i>Total Operating Cash Receipts</i>	<u>1,246,558</u>	<u>3,300</u>	<u>1,249,858</u>
Operating Cash Disbursements			
Personal Services	412,788	-	412,788
Contractual Services	334,588	-	334,588
Supplies and Materials	50,240	-	50,240
Other	16,013	-	16,013
Refunds	-	3,300	3,300
<i>Total Operating Cash Disbursements</i>	<u>813,629</u>	<u>3,300</u>	<u>816,929</u>
<i>Operating Income (Loss)</i>	<u>432,929</u>	<u>-</u>	<u>432,929</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(155,432)	-	(155,432)
Principal Retirement	(165,279)	-	(165,279)
Interest and Other Fiscal Charges	(153,131)	-	(153,131)
Mayor's Court Receipts	-	45,238	45,238
Mayor's Court Disbursements	-	(45,238)	(45,238)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(473,842)</u>	<u>-</u>	<u>(473,842)</u>
<i>Net Change in Fund Cash Balances</i>	(40,913)	-	(40,913)
<i>Fund Cash Balances, January 1</i>	<u>1,027,328</u>	<u>1,044</u>	<u>1,028,372</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 986,415</u>	<u>\$ 1,044</u>	<u>\$ 987,459</u>

See accompanying notes to the financial statements

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Lexington, Richland County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected seven-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Troy Township to provide fire protection services.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Maintenance Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Levy Fund - This fund receives property tax money for constructing, maintaining, and repairing Village streets.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant 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.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Mayor's Court activity and rental deposit holdings.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village has no investments.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,339,819	\$2,482,755	\$142,936
Special Revenue	1,063,290	1,239,546	176,256
Enterprise	1,469,580	1,246,558	(223,022)
Total	\$4,872,689	\$4,968,859	\$96,170

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,238,551	\$2,218,547	\$20,004
Special Revenue	1,154,089	1,349,223	(195,134)
Enterprise	1,395,100	1,326,054	69,046
Total	\$4,787,740	\$4,893,824	(\$106,084)

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2018 \$2,235,715
Certificates of deposit	717,065
Total deposits	\$2,952,780

Deposits

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. The Village's OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CP12L Wastewater Treatment Improvements	\$60,000	0%
OPWC CP23I Water Main Replacement	\$25,205	0%
OPWC CP20J Water Treatment Plant Upgrade	\$151,551	0%
OPWC CP28J Water Treatment Plant Upgrade	\$277,479	0%
OPWC CP31S Water Tank Painting	\$237,117	0%
Ohio Water Development Authority Loan 4931	\$3,802,668	4%
Plow Truck	\$30,654	3%
Total	<u>\$4,584,674</u>	

The Ohio Public Works Commission (Wastewater Treatment Improvements) Loan number CP12L was entered into in 2010 to finance improvements to the wastewater treatment plant. This loan will be repaid in semi-annual installments of \$2,500, with no interest through July 2030. The loan is collateralized by the Village's taxing authority.

The Ohio Public Works Commission (OPWC) (Water Main Replacement) Loan number CP23I was entered into in 2008 to finance the replacement of water lines. This loan will be repaid in semi-annual installments of \$1,327, with no interest through January 2028. The loan is collateralized by the Village's taxing authority.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

The Ohio Public Works Commission (Water Treatment Plant Upgrade) Loan was entered into in 2010 to finance the upgrade of water lines. This loan is broken out between two project numbers. The first project number CP20J will be repaid in semi-annual installments of \$6,589, with no interest through January 2030, while the second project number CP28J will be repaid in semi-annual installments of \$6,453, with no interest through January 2040. The loan is collateralized by the Village's taxing authority.

The Ohio Water Development Authority Loan was entered into in 2010 to finance water and sewer plant expansion. This loan will be repaid in semi-annual installments, with an interest rate of 4% through January 2040. The loan is collateralized by the Village's taxing authority.

The Plow Truck Loan was entered into in 2015 to finance the purchase of a snow plow. This loan will be repaid in annual installments of \$31,593, with an interest rate of 3% through 2019. The loan is collateralized by the Village's taxing authority.

The Ohio Public Works Commission (Water Tank Painting) Loan was entered into in 2017 to finance the painting of a water tower. This loan will be repaid in semi-annual installments of \$13,948, with no interest through January 2027. The loan is collateralized by the Village's taxing authority.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC CP12L (Wastewater Treatment Plan)	OPWC CP20J (Water Treatment Plant Upgrade)	OPWC CP23I (Water Main Replacement)	OPWC CP28J (Water Treatment Plant Upgrade)	OWDA	Plow Truck	OPWC CP31S (Water Tank Painting)
2019	\$ 5,000	\$ 13,178	\$ 2,653	\$ 12,906	\$ 257,112	\$ 31,593	\$ 27,896
2020	5,000	13,178	2,653	12,906	257,810	-	27,896
2021	5,000	13,178	2,653	12,906	258,540	-	27,896
2022	5,000	13,178	2,653	12,906	259,305	-	27,896
2023	5,000	13,178	2,653	12,906	260,105	-	27,896
2024-2028	25,000	65,894	11,940	64,530	1,313,916	-	97,637
2029-2033	10,000	19,767	-	64,530	1,340,395	-	-
2034-2038	-	-	-	64,530	1,373,717	-	-
2039-2040	-	-	-	19,359	419,846	-	-
Total	\$ 60,000	\$ 151,551	\$ 25,205	\$ 277,479	\$ 5,740,746	\$ 31,593	\$ 237,117

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Village of Lexington, Ohio
Richland County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 232,661	\$ 362,993	\$ 595,654
Municipal Income Tax	1,888,268	-	1,888,268
Intergovernmental	79,647	328,060	407,707
Donations	-	37,314	37,314
Charges for Services	178	51,194	51,372
Fines, Licenses and Permits	47,038	315	47,353
Earnings on Investments	6,005	1,355	7,360
Miscellaneous	45,676	5,165	50,841
<i>Total Cash Receipts</i>	<u>2,299,473</u>	<u>786,396</u>	<u>3,085,869</u>
Cash Disbursements			
Current:			
Security of Persons and Property	1,048,987	160,926	1,209,913
Public Health Services	8,964	-	8,964
Leisure Time Activities	111,399	127,101	238,500
Community Environment	26,825	133,133	159,958
Basic Utility Services	35,140	-	35,140
Transportation	-	634,213	634,213
General Government	483,758	-	483,758
Debt Service:			
Principal Retirement	-	28,859	28,859
Interest and Fiscal Charges	-	2,734	2,734
<i>Total Cash Disbursements</i>	<u>1,715,073</u>	<u>1,086,966</u>	<u>2,802,039</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>584,400</u>	<u>(300,570)</u>	<u>283,830</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	294,200	294,200
Transfers Out	(245,700)	(48,500)	(294,200)
Advances In	-	4,400	4,400
Advances Out	(4,400)	-	(4,400)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(250,100)</u>	<u>250,100</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	334,300	(50,470)	283,830
<i>Fund Cash Balances, January 1</i>	<u>852,940</u>	<u>318,513</u>	<u>1,171,453</u>
Fund Cash Balances, December 31			
Restricted	-	268,043	268,043
Unassigned	1,187,240	-	1,187,240
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,187,240</u>	<u>\$ 268,043</u>	<u>\$ 1,455,283</u>

See accompanying notes to the financial statements

Village of Lexington, Ohio
Richland County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 1,133,182	\$ -	\$ 1,133,182
Miscellaneous	10,151	3,260	13,411
<i>Total Operating Cash Receipts</i>	<u>1,143,333</u>	<u>3,260</u>	<u>1,146,593</u>
Operating Cash Disbursements			
Personal Services	381,551	-	381,551
Contractual Services	312,068	-	312,068
Supplies and Materials	50,795	-	50,795
Other	9,769	-	9,769
Refunds	-	3,320	3,320
<i>Total Operating Cash Disbursements</i>	<u>754,183</u>	<u>3,320</u>	<u>757,503</u>
<i>Operating Income (Loss)</i>	<u>389,150</u>	<u>(60)</u>	<u>389,090</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(114,392)	-	(114,392)
Principal Retirement	(160,622)	-	(160,622)
Interest and Other Fiscal Charges	(157,137)	-	(157,137)
Mayor's Court Receipts	-	50,508	50,508
Mayor's Court Disbursements	-	(50,508)	(50,508)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(432,151)</u>	<u>-</u>	<u>(432,151)</u>
<i>Net Change in Fund Cash Balances</i>	(43,001)	(60)	(43,061)
<i>Fund Cash Balances, January 1</i>	<u>1,070,329</u>	<u>1,104</u>	<u>1,071,433</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,027,328</u>	<u>\$ 1,044</u>	<u>\$ 1,028,372</u>

See accompanying notes to the financial statements

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Lexington, Richland County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected seven-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Troy Township to provide fire protection services.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Maintenance Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Levy Fund - This fund receives property tax money for constructing, maintaining, and repairing Village streets.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant 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.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Mayor's Court activity and rental deposit holdings.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village has no investments.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,103,200	\$ 2,299,473	\$ 196,273
Special Revenue	934,600	1,084,996	150,396
Enterprise	1,147,400	1,143,333	(4,067)
Total	\$ 4,185,200	\$ 4,527,802	\$ 342,602

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,171,168	\$1,988,665	\$182,503
Special Revenue	1,333,276	1,179,342	153,934
Enterprise	1,299,462	1,210,835	88,627
Total	\$4,803,906	\$4,378,842	\$425,064

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	\$ 1,776,448
Certificates of deposit	706,687
Total deposits	\$ 2,483,135

Deposits

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. The Village's OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CP12L Wastewater Treatment Improvement	\$65,000	0%
OPWC CP23I Water Main Replacement	\$164,729	0%
OPWC CP20J Water Treatment Plant Upgrade	\$27,851	0%
OPWC CP28J Water Treatment Plant Upgrade	\$290,385	0%
OPWC CP31S Water Tank Painting	\$265,014	0%
Ohio Water Development Authority Loan 4931	\$3,853,895	4%
Plow Truck Loan	\$60,397	3%
Total	<u>\$4,727,271</u>	

The Ohio Public Works Commission (Wastewater Treatment Improvements) Loan number CP12L was entered into in 2010 to finance improvements to the wastewater treatment plant. This loan will be repaid in semi-annual installments of \$2,500, with no interest through July 2030. The loan is collateralized by the Village's taxing authority.

The Ohio Public Works Commission (OPWC) (Water Main Replacement) Loan number CP23I was entered into in 2008 to finance the replacement of water lines. This loan will be repaid in semi-annual installments of \$1,327, with no interest through January 2028. The loan is collateralized by the Village's taxing authority.

Village of Lexington, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

The Ohio Public Works Commission (Water Treatment Plant Upgrade) Loan was entered into in 2010 to finance the upgrade of water lines. This loan is broken out between two project numbers. The first project number CP20J will be repaid in semi-annual installments of \$6,589, with no interest through January 2030, while the second project number CP28J will be repaid in semi-annual installments of \$6,453, with no interest through January 2040. The loan is collateralized by the Village's taxing authority.

The Ohio Water Development Authority Loan was entered into in 2010 to finance water and sewer plant expansion. This loan will be repaid in semi-annual installments, with an interest rate of 4% through January 2040. The loan is collateralized by the Village's taxing authority.

The Plow Truck Loan was entered into in 2015 to finance the purchase of a snow plow. This loan will be repaid in annual installments of \$31,593, with an interest rate of 3% through 2019. The loan is collateralized by the Village's taxing authority.

The Ohio Public Works Commission (Water Tank Painting) Loan was entered into in 2017 to finance the painting of a water tower. This loan will be repaid in semi-annual installments of \$13,948, with no interest through January 2027. The loan is collateralized by the Village's taxing authority.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC CP12L (Wastewater Treatment Plan)	OPWC CP20J (Water Treatment Plant Upgrade)	OPWC CP23I (Water Main Replacement)	OPWC CP28J (Water Treatment Plant Upgrade)	OWDA	Plow Truck	OPWC CP31S (Water Tank Painting)
2018	\$ 5,000	\$ 13,178	\$ 2,653	\$ 12,906	\$ 256,446	\$ 31,593	\$ 27,896
2019	5,000	13,178	2,653	12,906	257,112	31,593	27,896
2020	5,000	13,178	2,653	12,906	257,810	-	27,896
2021	5,000	13,178	2,653	12,906	258,540	-	27,896
2022	5,000	13,178	2,653	12,906	259,305	-	27,896
2023-2027	25,000	65,894	13,260	64,530	1,309,312	-	125,534
2028-2032	15,000	32,945	1,326	64,530	1,334,601	-	-
2033-2037	-	-	-	64,530	1,366,426	-	-
2038-2040	-	-	-	32,265	697,639	-	-
Total	<u>\$ 65,000</u>	<u>\$ 164,729</u>	<u>\$ 27,851</u>	<u>\$ 290,385</u>	<u>\$ 5,997,191</u>	<u>\$ 63,186</u>	<u>\$ 265,014</u>

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Lexington
Richland County
44 West Main Street
Lexington, Ohio 44904

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Lexington, Richland County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 21, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

April 21, 2020

**VILLAGE OF LEXINGTON
RICHLAND COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

Finding 2018-001

Bank Reconciliations – Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not always completed timely during 2018, with three months of reconciliations not completed for 45 days after month end.

Also, due to the lack of coordination within the accounting department, the outstanding check lists on the bank reconciliations were not always accurate, as the monthly proof of cash outstanding checks did not agree to the outstanding check list from the computer system. This resulted in unexplained variances on the December 31, 2018 and 2017 bank reconciliations of \$2,364 and \$520, respectively, with the book balance higher than the bank balance.

Failure to reconcile timely increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should prepare monthly bank to book cash reconciliations accurately and timely, within five to ten days after month end, or as deemed acceptable by Council. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) in a timely manner after completion.

Officials' Response: The Fiscal Officer will look to complete monthly bank to book reconciliations in a more timely manner. Council meets the 1st and 3rd Mondays of each month, unless during summer schedule. The finance reports are completed and given to council by the 2nd meeting of the month. Usually the official bank statements arrive within the first 7-10 days of month end. Council looks over the finance reports during the 2nd meetings of the month.

**VILLAGE OF LEXINGTON
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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Finding 2018-002

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Fiscal Officer did not always accurately post receipts and disbursements to the Village's accounting system and financial statements. In addition, fund balance classifications were not always in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54. Mispostings identified include the following:

- In 2018, \$53,605 of intergovernmental revenue was incorrectly presented as property tax revenue in the Special Revenue Funds. In 2017, \$79,647 and \$54,035 of intergovernmental revenue was incorrectly presented as property tax revenue in the General Fund and Special Revenue Funds, respectively.
- In 2018 and 2017, \$507,975 of the General Fund Reserve, and in 2018, \$487,855 of the Water Fund and Sewer Fund Reserves, were not presented in the General Fund and Enterprise Fund beginning and ending fund balances in the financial statements originally filed with the Auditor of State's Office.
- In 2017, \$76,752 and \$70,438 was erroneously presented as negative committed fund balance in the General Fund and Special Revenue Funds, respectively. The financial statements originally filed with the Auditor of State's Office did not foot due to this erroneous committed fund balance.
- In 2018, \$128,854 was presented as committed fund balance in the General Fund rather than unassigned fund balance. In 2018 and 2017, \$472,805 and \$268,043, respectively, was presented as unassigned or committed fund balance rather than restricted fund balance in the Special Revenue Funds.
- In 2018, Special Revenue Fund disbursements presented in the financial statements filed with the Auditor of State's Office did not agree to the Village's accounting ledgers. Disbursements were overstated in transportation in the amount of \$60,263, and were understated in principal retirement, interest and fiscal charges, and transfers out in the amounts of \$29,743, \$1,850 and \$28,670, respectively. In 2017, Special Revenue Fund receipts and disbursements presented in the financial statements filed with the Auditor of State's Office did not agree to the Village's accounting ledgers. Receipts were overstated in property taxes, intergovernmental revenue, charges for services, and miscellaneous revenue in the amounts of \$274,025, \$24,575, \$2,207, and \$36,449, respectively, and were understated in donations, earnings on investment, transfers in, and advances in the amounts of \$37,314, \$1,342, \$294,200, and \$4,400, respectively. Disbursements were overstated in transportation in the amount of \$80,093, and were understated in principal retirement, interest and fiscal charges, and transfers out in the amounts of \$28,859, \$2,734, and \$48,500, respectively.
- In 2018 and 2017, enterprise fund disbursements presented in the financial statements filed with the Auditor of State's Office did not agree to the Village's accounting ledgers. Disbursements were overstated in personal services in the amount of \$874,684 and \$804,783, respectively, while disbursements were understated in contractual services, supplies and materials, other, capital outlay, principal retirement, and interest in the amounts of \$334,588 and \$312,068, respectively, \$50,240 and \$50,795, respectively, \$16,013 and \$9,769, respectively, \$155,432 and \$114,392, respectively, \$165,279 and \$160,622, respectively, and \$153,131 and \$157,137, respectively.

**VILLAGE OF LEXINGTON
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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Finding 2018-002 (Continued)

Financial Reporting – Material Weakness (Continued)

- In 2018, agency fund receipts were presented as charges for services and fines, licenses and permits in the amounts of \$3,300 and \$45,238, respectively, and in 2017, all receipts were presented as charges for services in the amount of \$53,768. In 2018 and 2017, all disbursements of \$48,538 and \$53,828, respectively, were presented as personal services. Reclasses were made to correctly show receipts as miscellaneous revenue and mayor's court receipts in the amounts of \$3,300 and \$3,260, respectively, and \$45,238 and \$50,508, respectively, and to show disbursements as refunds and mayor's court disbursements in the amounts of \$3,300 and \$3,320, respectively, and \$45,238 and \$50,508, respectively.
- In 2018, the Agency Fund beginning and ending balance was overstated \$8,977, and in 2017, the beginning and ending fund balance was understated \$304 in the financial statements originally filed with the Auditor of State's Office.
- In 2018, \$190,383 of advances out in the General Fund was not originally presented in the financial statements filed with the Auditor of State's Office even though it was part of the Village's accounting ledgers. However, this advance out was eliminated along with the related transfer in as it was intra-fund activity.
- In 2018, \$322,180 of Enterprise Fund transfers in and out were eliminated as it was intra-fund activity.
- In 2018, Transfers In in the Special Revenue Funds and Transfers Out in the General Fund were overstated by \$8,670 and \$236, respectively. In 2017, Transfers Out in the General Fund were overstated by \$13,000. The overstatements occurred as there was no corresponding Transfer Out or Transfer In for the amounts adjusted, and no other documentation to support the transactions.
- In 2018, Donations and Charges for Services in the amounts of \$32,883 and \$47,227, respectively, in the Special Revenue Funds were originally reported as miscellaneous revenue.

These amounts were adjusted to the Village's financial statements.

Without accurate financial statements, the Council could be making decisions based on inaccurate information.

The Village should review the Village Officer's Handbook and exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct fund and account. Additionally, the Village Council should review monthly receipt and expenditure activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

Officials' Response: The Fiscal Officer will review the Village Officer's Handbook and exercise diligence when posting receipts and expenditures.

VILLAGE OF LEXINGTON
RICHLAND COUNTY

44 WEST MAIN STREET
LEXINGTON, OHIO 44904

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Transaction Posting – Material Weakness	Not Corrected	Repeated as finding 2018-002
2016-002	Mayor's Court Activity – Material Weakness	Fully Corrected	

OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LEXINGTON

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 26, 2020**