

**VILLAGE OF LEXINGTON**  
RICHLAND COUNTY, OHIO

**REGULAR AUDIT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 & 2019**



OHIO AUDITOR OF STATE  
KEITH FABER



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Village Council  
Village of Lexington  
44 West Main Street  
Lexington, Ohio 44904

We have reviewed the *Independent Auditor's Report* of the Village of Lexington, Richland County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2020. 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 Lexington is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 08, 2021

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**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

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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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Lexington, Richland County, Ohio.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village of Lexington's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Lexington's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2, the financial statements are prepared by the Village of Lexington, on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Village of Lexington 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 "Unmodified 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 of Lexington, as of December 31, 2020 and 2019, or changes in net position, or cash flows thereof for the years then ended.

***Unmodified 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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Lexington, in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) as described in Note 2.

***Emphasis of Matters***

As described in Note 11 to the financial statements, for the year ended December 31, 2020, the Village of Lexington adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. As described in Note 12 to the financial statements, for the year ended December 31, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the the Village of Lexington. Additionally, as discussed in Note 10 to the financial statements for the year ended December 31, 2019, it was determined that a restatement to the beginning cash fund balance of the General fund was necessary to adjust to properly record the Village's cash and General fund balances. We did not modify our opinion regarding these matters.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2021 on our consideration of the Village of Lexington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Lexington's 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 of Lexington's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
July 15, 2021



**Village of Lexington  
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, 2020*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 261,045	\$ 389,027	\$ 650,072
Municipal Income Tax	1,916,058	-	1,916,058
Intergovernmental	100,748	688,148	788,896
Charges for Services	263	21,428	21,691
Fines, Licenses and Permits	21,305	35	21,340
Earnings on Investments	7,627	187	7,814
Miscellaneous	193,529	2,564	196,093
<i>Total Cash Receipts</i>	<u>2,500,575</u>	<u>1,101,389</u>	<u>3,601,964</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	1,347,061	175,874	1,522,935
Public Health Services	3,146	-	3,146
Leisure Time Activities	229,927	134,399	364,326
Community Environment	13,672	87,875	101,547
Basic Utility Services	37,771	-	37,771
Transportation	-	421,395	421,395
General Government	531,622	138,252	669,874
Capital Outlay	149,267	375,013	524,280
<i>Total Cash Disbursements</i>	<u>2,312,466</u>	<u>1,332,808</u>	<u>3,645,274</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>188,109</u>	<u>(231,419)</u>	<u>(43,310)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	436,204	436,204
Transfers Out	(436,204)	-	(436,204)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(436,204)</u>	<u>436,204</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(248,095)</u>	<u>204,785</u>	<u>(43,310)</u>
<i>Fund Cash Balances, January 1</i>	<u>3,406,825</u>	<u>186,796</u>	<u>3,593,621</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,158,730</u>	<u>\$ 391,581</u>	<u>\$ 3,550,311</u>

*See accompanying notes to the financial statements*

**Village of Lexington  
Richland County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
Proprietary Fund Type  
For the Year Ended December 31, 2020*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,261,353
<i>Total Operating Cash Receipts</i>	1,261,353
<b>Operating Cash Disbursements</b>	
Personal Services	317,999
Employee Fringe Benefits	120,775
Contractual Services	290,498
Supplies and Materials	68,987
Other	62,765
<i>Total Operating Cash Disbursements</i>	861,024
<i>Operating Income (Loss)</i>	400,329
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(31,675)
Principal Retirement	(175,260)
Interest and Other Fiscal Charges	(144,546)
<i>Total Non-Operating Receipts (Disbursements)</i>	(351,481)
<i>Income (Loss) before Transfers</i>	48,848
Transfers In	59,000
Transfers Out	(59,000)
<i>Net Change in Fund Cash Balances</i>	48,848
<i>Fund Cash Balances, January 1</i>	1,073,660
<i>Fund Cash Balances, December 31</i>	\$ 1,122,508

*See accompanying notes to the financial statements*

**Village of Lexington  
Richland County**

*Combined Statement of Additions, Deductions  
and Changes in Fund Balances (Regulatory Cash Basis)  
Fiduciary Fund Type  
For the Year Ended December 31, 2020*

	Fiduciary Fund Type
	Custodial
<b>Additions</b>	
Mayor's Court Receipts	\$24,984
Other Amounts Collected for Distribution	3,000
<i>Total Additions</i>	27,984
<b>Deductions</b>	
Mayor's Court Disbursements	24,984
Other Distributions	2,890
<i>Total Deductions</i>	27,874
<i>Net Change in Fund Balances</i>	110
<i>Fund Cash Balances, January 1</i>	59
<i>Fund Cash Balances, December 31</i>	\$169

*See accompanying notes to the financial statements*

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 1 - Reporting Entity**

The Village of Lexington, Richland County, Ohio, and (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 six-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 the proprietary fund type and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for the fiduciary fund type which are all 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.

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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

***Fiduciary Funds*** Fiduciary funds include custodial funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Village's Mayor's Court activity and rental deposit holdings.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

***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 custodial 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 2020 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, 2020*

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***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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

***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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,570,677	\$2,500,575	(\$70,102)
Special Revenue	1,395,740	1,537,593	141,853
Enterprise	1,223,050	1,320,353	97,303
Total	\$5,189,467	\$5,358,521	\$169,054

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,022,551	\$2,820,673	\$201,878
Special Revenue	1,567,902	1,387,315	180,587
Enterprise	1,561,860	1,361,093	200,767
Total	\$6,152,313	\$5,569,081	\$583,232

**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	2020 \$4,427,067
Certificates of deposit	245,919
Total deposits	4,672,986

***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, 2020*

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**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, 2020.



**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Ohio Police and Fire Retirement System**

The Village’s full-time Police Officers belong to the 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, 2020.

**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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CP12L Wastewater Treatment Improvement	\$50,000	0%
OPWC CP23I Water Main Replacement	\$19,900	0%
OPWC CP20J Water Treatment Plant Upgrade	\$125,196	0%
OPWC CP28J Water Treatment Plant Upgrade	\$251,672	0%
OPWC CP31S Water Tank Painting	\$181,327	0%
Ohio Water Development Authority Loan 4931	<u>\$3,528,105</u>	4%
Total	<u><u>\$4,156,200</u></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.

The Ohio Public Works Commission (OPWC) (Water Tank Painting) Loan number CP31S was entered into in 2017 to finance the replacement of water tank painting. This loan will be repaid in semi-annual installments of \$13,948, with no interest through July 2027. 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, 2020*

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.

***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	OPWC CP31S (Water Tank Painting)
2021	5,000	13,179	2,653	12,906	258,918	27,896
2022	5,000	13,179	2,653	12,906	259,701	27,896
2023	5,000	13,179	2,653	12,906	260,520	27,896
2024	5,000	13,179	2,653	12,906	261,377	27,896
2025	5,000	13,179	2,653	12,906	262,275	27,896
2026-2030	25,000	59,301	6,635	64,531	1,326,396	41,847
2031-2035	0	0	0	64,531	1,356,100	0
2036-2040	0	0	0	58,080	1,111,362	0
Total	<u>\$50,000</u>	<u>\$125,196</u>	<u>\$19,900</u>	<u>\$251,672</u>	<u>\$5,096,649</u>	<u>\$181,327</u>

**Note 10 – Fund Balances**

Included in fund balance are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	72,003	54,507	126,510
Total	<u>\$72,003</u>	<u>\$54,507</u>	<u>\$126,510</u>

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 11 – Change in Accounting Principles**

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- Fiduciary Fund Type, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

**Note 12 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$37,500 was sub-granted to other governments and organizations. These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

**Note 13 - Noncompliance**

The Village was in noncompliance with Ohio Rev. Code 5705.09(F) for not establishing a separate special revenue fund for local coronavirus relief distributions.

**Village of Lexington  
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, 2019*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 254,232	\$ 378,554	\$ 632,786
Municipal Income Tax	3,812,961	-	3,812,961
Intergovernmental	92,395	367,663	460,058
Charges for Services	203	53,848	54,051
Fines, Licenses and Permits	32,347	305	32,652
Earnings on Investments	18,150	811	18,961
Miscellaneous	146,092	41,603	187,695
<i>Total Cash Receipts</i>	<u>4,356,380</u>	<u>842,784</u>	<u>5,199,164</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	1,251,578	161,367	1,412,945
Public Health Services	8,552	-	8,552
Leisure Time Activities	187,162	182,230	369,392
Community Environment	23,952	109,892	133,844
Basic Utility Services	37,644	-	37,644
Transportation	-	480,527	480,527
General Government	539,345	2,992	542,337
Capital Outlay	103,432	453,323	556,755
Debt Service:	-	-	-
Principal Retirement	-	30,654	30,654
Interest and Fiscal Charges	-	939	939
<i>Total Cash Disbursements</i>	<u>2,151,665</u>	<u>1,421,924</u>	<u>3,573,589</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,204,715</u>	<u>(579,140)</u>	<u>1,625,575</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Assets	4,323	601	4,924
Transfers In	-	301,200	301,200
Transfers Out	(301,200)	-	(301,200)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(296,877)</u>	<u>301,801</u>	<u>4,924</u>
<i>Net Change in Fund Cash Balances</i>	1,907,838	(277,339)	1,630,499
<i>Fund Cash Balances, January 1 - Restated</i>	<u>1,498,987</u>	<u>464,135</u>	<u>1,963,122</u>
Restricted	-	198,165	198,165
Assigned	119,210	-	119,210
Unassigned	3,287,615	(11,369)	3,276,246
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,406,825</u>	<u>\$ 186,796</u>	<u>\$ 3,593,621</u>

*See accompanying notes to the financial statements*

**Village of Lexington  
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, 2019*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Custodial	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 1,238,975	\$ -	\$ 1,238,975
Miscellaneous	-	2,475	2,475
<i>Total Operating Cash Receipts</i>	<u>1,238,975</u>	<u>2,475</u>	<u>1,241,450</u>
<b>Operating Cash Disbursements</b>			
Personal Services	302,682	-	302,682
Employee Fringe Benefits	116,999	-	116,999
Contractual Services	306,999	-	306,999
Supplies and Materials	53,032	-	53,032
Refunds	-	3,500	3,500
Other	26,036	-	26,036
<i>Total Operating Cash Disbursements</i>	<u>805,748</u>	<u>3,500</u>	<u>809,248</u>
<i>Operating Income (Loss)</i>	<u>433,227</u>	<u>(1,025)</u>	<u>432,202</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(26,890)	-	(26,890)
Principal Retirement	(170,155)	-	(170,155)
Interest and Other Fiscal Charges	(148,937)	-	(148,937)
Mayor's Court Receipts	-	38,161	38,161
Mayor's Court Disbursements	-	(38,121)	(38,121)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(345,982)</u>	<u>40</u>	<u>(345,942)</u>
<i>Income (Loss) before Transfers</i>	87,245	(985)	86,260
Transfers In	59,000	-	59,000
Transfers Out	(59,000)	-	(59,000)
<i>Net Change in Fund Cash Balances</i>	87,245	(985)	86,260
<i>Fund Cash Balances, January 1</i>	<u>986,415</u>	<u>1,044</u>	<u>987,459</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,073,660</u>	<u>\$ 59</u>	<u>\$ 1,073,719</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, 2019*

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**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 six-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 all 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, 2019*

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***Fiduciary Funds*** Fiduciary funds include custodial funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Village's 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 custodial 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 2019 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village has no investments.

***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.

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***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*. 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, 2019*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,325,407	\$4,360,703	\$35,296
Special Revenue	1,035,028	1,144,585	109,557
Enterprise	1,243,093	1,297,975	54,882
Total	\$6,603,528	\$6,803,263	\$199,735

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,771,108	\$2,572,075	\$199,033
Special Revenue	1,524,316	1,463,625	60,691
Enterprise	1,453,603	1,340,083	113,520
Total	\$5,749,027	\$5,375,783	\$373,244

**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	2019 \$3,933,100
Certificates of deposit	734,237
Total deposits	4,667,337

***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, 2019*

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**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, 2019.

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Ohio Police and Fire Retirement System**

The Village’s full-time Police Officers belong to the 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, 2019.

**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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
OPWC CP12L Wastewater Treatment Improvements	\$55,000	0%
OPWC CP23I Water Main Replacement	\$22,554	0%
OPWC CP20J Water Treatment Plant Upgrade	\$138,374	0%
OPWC CP28J Water Treatment Plant Upgrade	\$264,578	0%
OPWC CP31S Water Tank Painting	\$209,223	0%
Ohio Water Development Authority Loan 4931	\$3,641,730	4%
Total	<u>\$4,331,459</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.

The Ohio Public Works Commission (OPWC) (Water Tank Painting) Loan number CP31S was entered into in 2017 to finance the replacement of water tank painting. This loan will be repaid in semi-annual installments of \$13,948, with no interest through July 2027. 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, 2019*

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.

***Amortization***

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

Year ending December 31:	OPWC CP12L	OPWC CP20J	OPWC CP23I	OPWC CP28J	OWDA	OPWC CP31S
	(Wastewater Treatment Plan)	(Water Treatment Plant Upgrade)	(Water Main Replacement)	(Water Treatment Plant Upgrade)		(Water Tank Painting)
2020	5,000	13,179	2,653	12,906	258,171	27,896
2021	5,000	13,179	2,653	12,906	258,918	27,896
2022	5,000	13,179	2,653	12,906	259,701	27,896
2023	5,000	13,179	2,653	12,906	260,520	27,896
2024	5,000	13,179	2,653	12,906	261,377	27,896
2025-2029	25,000	65,893	9,289	64,531	1,321,231	69,743
2030-2034	5,000	6,586	0	64,531	1,349,601	0
2035-2029	0	0	0	64,531	1,385,301	0
2040-2044	0	0	0	6,455	0	0
Total	<u>\$55,000</u>	<u>\$138,374</u>	<u>\$22,554</u>	<u>\$264,578</u>	<u>\$5,354,820</u>	<u>\$209,223</u>

**Note 10 - Restatement**

During 2019, it was determined that a restatement to the beginning cash fund balance of the General fund was necessary to properly record the Village's cash and General fund balances. The effect of this restatement is shown below:

	General Fund
Fund Cash Balance as previously reported	<u>\$ 1,503,550</u>
Adjustment to properly record the Village's cash and General fund balances.	<u>(4,563)</u>
Restated Fund Cash Balance at January 1, 2019	<u>\$ 1,498,987</u>

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with *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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total of the Village of Lexington, Richland County, Ohio, as of and for the year ended December 31, 2020 and for each governmental, proprietary, and fiduciary fund type as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated July 15, 2021, wherein we noted as described in Note 2 to the financial statements, the Village of Lexington followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Furthermore, as discussed in Note 11 to the financial statements, for the year ended December 31, 2020 the Village of Lexington adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. As described in Note 12 to the financial statements, for the year ended December 31, 2020 the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village of Lexington. In addition, as discussed in Note 10 to the financial statements for the year ended December 31, 2019, it was determined that a restatement to the beginning cash fund balance of the General fund was necessary to properly record the Village’s cash and General fund balances.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Village of Lexington’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Lexington’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Lexington’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village of Lexington’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village of Lexington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-002.

***Village of Lexington's Responses to Findings***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Lexington's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Lexington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
July 15, 2021

**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2020-001

Material Weakness - Financial Statement Presentation

Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Control and monitoring activities typically associated with the period-end financial reporting process include reviewing and approving manual journal entries, consolidating entries, and any entries that are recorded directly to the financial statements. For the Village, this could also include reviewing the year-end reports to ensure activity is reported in the correct line items and all on-behalf activity is included.

The following adjustments were made to the financial statements to properly record significant transactions during the audit period.

2020:

- The Village improperly recorded \$175,260 and \$144,546 of principal and interest debt activity, respectively, as Other Expenditures in the Enterprise Funds.
- Capital outlay disbursements recorded in the Village’s accounting records did not agree to the financial statements uploaded to Hinkle. General Fund capital outlay disbursements were understated by \$149,267, while leisure time activity, securities of proper and personnel, and general government disbursements were overstated by \$98,264, \$41,111, and \$9,892, respectively. Special Revenue Fund capital outlay disbursements were understated by \$312,100, while community environment and transportation disbursements were overstated by \$21,816 and \$290,284, respectively. Capital outlay disbursements in the Enterprise Fund were understated by \$31,675, while contractual services and supplies & materials were overstated by \$15,164 and \$16,511, respectively.
- \$361,043 of intergovernmental receipts were incorrectly presented as property tax receipts in the Special Revenue Funds.
- The Village erroneously presented personal services of \$317,999 as fringe benefits in the Enterprise Fund.
- The Village received funding from the Coronavirus Relief Act, but did not establish a separate fund and recorded receipts of \$273,556 and expenditures of \$198,321 in the General fund. A new Special Revenue Fund was established and an adjustment was made to record intergovernmental receipts of \$273,556, capital outlay expenditures of \$62,913, and general government expenditures of \$135,408, as well as a fund balance of \$75,235, in the Special Revenue Funds

**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2020-001 – (Continued)

- Enterprise fund disbursements presented in the financial statements filed with Hinkle did not agree to the Villages accounting ledgers. Supplies & materials were overstated by \$220,164, while contractual services were understated by \$220,164.
- The Village presented mayor’s court receipts of \$24,984 as miscellaneous receipts, and presented \$24,984 and \$2,890 of mayor’s court disbursements and refunds, respectively, as contractual services.
- General fund disbursements presented in the financial statements filed with Hinkle did not agree to the Villages accounting ledgers. Leisure time activities were understated by \$141,259.
- Beginning and ending fund balance in the General, Special Revenue, and Custodial funds were understated by \$17,649 and overstated by \$8,672 and \$8,977, respectively.
- Transfers In and Transfers Out of \$71,383 were eliminated from the General fund as they were intra-fund activity.

2019:

- Principal and interest debt activity in the Special Revenue Fund were understated by \$30,654 and \$939, respectively, while transportation disbursements were overstated by \$31,593. Additionally, the Village recorded \$170,155 and \$148,937 of principal and interest debt activity, respectively, as Other Expenditures in the Enterprise Funds.
- Capital outlay disbursements recorded in the Village’s accounting records did not agree to the financial statements uploaded to Hinkle. General Fund capital outlay disbursements were understated by \$103,432, while securities of property and personnel and general government disbursements were overstated by \$38,538, and \$64,894, respectively. In the Special Revenue Funds, capital outlay disbursements were understated by \$453,323 and transportation disbursements were overstated by \$453,323. Capital outlay disbursements in the Enterprise Fund were understated by \$26,890 and other expenditures were overstated by \$26,890.
- \$314,508 of intergovernmental receipts were incorrectly presented as property tax receipts in the Special Revenue Funds.
- The Village erroneously presented a restricted fund balance of \$198,165 as unassigned in the Special Revenue Funds.
- The Village erroneously presented personal services of \$302,682 as fringe benefits in the Enterprise Fund.
- The Village presented mayor’s court receipts of \$38,161 as miscellaneous receipts, and presented \$38,121 and \$3,500 of mayor’s court disbursements and refunds, respectively, as supplies & materials.
- Beginning and ending fund balance in the General, Special Revenue, and Custodial funds were understated by \$17,649 and overstated by \$8,672 and \$8,977, respectively.
- Transfers In and Transfers Out of \$120,000 and \$2,950 were eliminated from the General fund and Special Revenue Funds, respectively, as they were intra-fund activity.
- General fund/cash beginning audited balance increased \$4,653.



**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2020-001 – (Continued)

The financial statements and notes have been adjusted to properly report the activity.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Village’s activity.

Client Response: The Village Fiscal Officer will more closely examine the HINKLE report prior to filing and will record future permits in the appropriate receipt classifications.

Finding Number	2020-002
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Material Weakness/Noncompliance – Coronavirus Relief Funds

Ohio Rev. Code 5705.09(F) provides that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

In 2020, Coronavirus Aid, Relief and Economic Security (CARES) receipts and expenditures were posted to the General Fund, instead of properly establishing a CARES Fund.

Not posting monies to the proper fund could result in expenditures being made that are not allowable based on the restrictions of the fund.

The Village should refer to the Village Officer’s Handbook for guidance for the proper establishment of new funds. Also, the Village should refer to Auditor of State Bulletin 2021-004 for guidance on accounting for federal programs authorized by the American Rescue Plan Act of 2021.

Client Response: The Village Fiscal Officer will review the Village Officer’s Handbook for guidance on the establishment of new funds.

**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2020 AND 2019**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2018-001	2016	<u>Material Weakness – Bank Reconciliations</u> – Sound accounting practices require that, as part of the integration of internal control processes and activities, periodic reconciliations of bank records and accounting records should be performed. Monthly bank to book reconciliations were not always completed timely.	Fully Corrected	N/A
2018-002	2018	<u>Material Weakness – Financial Statement Presentation</u> – Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Numerous adjustments were made to the financial statements and related notes.	Not Corrected	Repeated as Finding 2020-001.

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF LEXINGTON**

**RICHLAND COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/21/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)