

**VILLAGE OF LEXINGTON**  
RICHLAND COUNTY, OHIO

**REGULAR AUDIT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2022 & 2021**



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Members of Council and the Mayor  
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, 2021 through December 31, 2022. 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.

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Keith Faber  
Auditor of State  
Columbus, Ohio

December 11, 2023

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**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report .....	1 - 3
Financial Statements:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2022 .....	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2022 .....	5
Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Type For the Year Ended December 31, 2022 .....	6
Notes to the Financial Statements - For the Year Ended December 31, 2022 .....	7 - 14
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2021 .....	15
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2021 .....	16
Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Type For the Year Ended December 31, 2021 .....	17
Notes to the Financial Statements - For the Year Ended December 31, 2021 .....	18 - 25
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 <i>Government Auditing Standards</i> .....	26 - 27
Schedule of Findings and Responses.....	28 - 29
Summary Schedule of Prior Audit Findings .....	30

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## Independent Auditor's Report

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

To the Members of the Village Council:

### Report on the Audit of the Financial Statements

#### *Unmodified and Adverse Opinions*

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 of the Village of Lexington, Richland County, Ohio, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

#### *Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying 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 of the Village of Lexington, as of and for the years ended December 31, 2022 and 2021 in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) as described in Note 2.

#### *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*” section of our report, the accompanying 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, 2022 and 2021, or changes in financial position, and cash flows thereof for the years then ended.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the “*Auditor's Responsibilities for the Audit of the Financial Statements*” section of our report. We are required to be independent of the Village of Lexington and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 of the financial statements, 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(C), which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and GAAP, although not reasonably determinable, are presumed to be material and pervasive.

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(C) permit. Our opinion on this accounting basis is in the "*Unmodified Opinion on Regulatory Basis of Accounting*" paragraph above.

***Responsibilities of Management 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(C). 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Lexington's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Lexington's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Village of Lexington  
Richland County  
Independent Auditor's Report

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
September 15, 2023

**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, 2022*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 301,545	\$ 395,603	\$ 697,148
Municipal Income Tax	2,494,927	-	2,494,927
Intergovernmental	121,946	670,799	792,745
Charges for Services	602	43,106	43,708
Fines, Licenses and Permits	20,260	2,017	22,277
Earnings on Investments	8,467	12	8,479
Miscellaneous	134,544	62,293	196,837
<i>Total Cash Receipts</i>	<u>3,082,291</u>	<u>1,173,830</u>	<u>4,256,121</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	1,699,379	169,443	1,868,822
Public Health Services	2,610	-	2,610
Leisure Time Activities	246,169	149,656	395,825
Community Environment	14,559	99,623	114,182
Basic Utility Services	46,657	-	46,657
Transportation	-	501,606	501,606
General Government	837,003	-	837,003
Capital Outlay	-	239,856	239,856
Debt Service:			
Principal Retirement	-	7,647	7,647
Interest and Fiscal Charges	-	667	667
<i>Total Cash Disbursements</i>	<u>2,846,377</u>	<u>1,168,498</u>	<u>4,014,875</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>235,914</u>	<u>5,332</u>	<u>241,246</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Capital Assets	-	1,853	1,853
Transfers In	-	274,600	274,600
Transfers Out	(274,600)	-	(274,600)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(274,600)</u>	<u>276,453</u>	<u>1,853</u>
<i>Net Change in Fund Cash Balances</i>	(38,686)	281,785	243,099
<i>Fund Cash Balances, January 1</i>	<u>3,440,440</u>	<u>464,926</u>	<u>3,905,366</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,401,754</u>	<u>\$ 746,711</u>	<u>\$ 4,148,465</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, 2022*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,336,422
<i>Total Operating Cash Receipts</i>	1,336,422
<b>Operating Cash Disbursements</b>	
Personal Services	369,176
Employee Fringe Benefits	160,340
Contractual Services	317,220
Supplies and Materials	138,171
Other	120,882
<i>Total Operating Cash Disbursements</i>	1,105,789
<i>Operating Income (Loss)</i>	230,633
<b>Non-Operating Receipts (Disbursements)</b>	
Principal Retirement	(191,101)
Interest and Other Fiscal Charges	(135,134)
<i>Total Non-Operating Receipts (Disbursements)</i>	(326,235)
<i>Net Change in Fund Cash Balances</i>	(95,602)
<i>Fund Cash Balances, January 1</i>	873,718
<i>Fund Cash Balances, December 31</i>	\$ 778,116

*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, 2022*

	Fiduciary Fund Type
	Custodial
<b>Additions</b>	
Mayors Court Receipts	\$ 25,720
Other Amounts Collected for Distribution	3,800
<i>Total Additions</i>	29,520
<b>Deductions</b>	
Distributions to other governments	6,725
Distributions to other funds (Primary Government)	18,995
Other Distributions	3,930
<i>Total Deductions</i>	29,650
<i>Net Change in Fund Cash Balances</i>	(130)
<i>Fund Cash Balances, January 1</i>	(184)
<i>Fund Cash Balances, December 31</i>	\$ (314)

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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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, 2022*

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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 funds account 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 (C). 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 (C) 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 2022 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, 2022*

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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, 2022*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,632,200	\$3,082,291	\$450,091
Special Revenue	1,286,730	1,450,283	163,553
Enterprise	1,398,050	1,336,422	(61,628)
Total	\$5,316,980	\$5,868,996	\$552,016

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,518,907	\$3,381,414	\$137,493
Special Revenue	1,359,719	1,173,041	186,678
Enterprise	1,618,866	1,477,458	141,408
Total	\$6,497,492	\$6,031,913	\$465,579

**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	2022 \$3,142,678
Non-Negotiable Certificates of deposit	1,783,589
Total deposits	4,926,267

***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, 2022*

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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, 2022.

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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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, 2022.

**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 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2022 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CP12L Wastewater Treatment Improvements	\$40,000	0%
OPWC CP23I Water Main Replacement	\$14,594	0%
OPWC CP20J Water Treatment Plant Upgrade	\$98,838	0%
OPWC CP28J Water Treatment Plant Upgrade	\$225,860	0%
OPWC CP31S Water Tank Painting	\$125,535	0%
Ohio Water Development Authority Loan 4931	<u>\$3,284,568</u>	4%
Total	<u><u>\$3,789,395</u></u>	

The Ohio Public Works Commission (OPWC) (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 payments are made from the Sewer Fund (Enterprise Fund Type).

The 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 payments are made from the Water Fund (Enterprise Fund Type).

The 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. The payments are made from the Water Fund (Enterprise Fund Type).

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

The OPWC (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 payments are made from the Water Fund (Enterprise Fund Type).

The Ohio Water Development Authority (OWDA) Loan number 4931 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 payments are made from the Sewer Fund (Enterprise Fund Type).

***Financed Purchases***

The Village has entered into a financed purchases agreement in 2018 for a Front Loader where ownership of the underlying asset transfers to the Village by the end of the contract. The Village disbursed \$12,547 of principal and \$667 of interest to pay these costs for the year ended December 31, 2022. The payments are paid from the following funds: Park Levy and Street Funds (Special Revenue Fund Type), Sewer Fund (Enterprise Fund Type) and the Water Fund (Enterprise Fund Type).

***Amortization***

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

Year ending	OPWC CP12L (Wastewater Treatment Plan)	OPWC CP20J (Water Treatment Plant Upgrade)	OPWC CP23I (Water Main Replacement)	OPWC CP28J (Water Treatment Plant Upgrade)	OWDA 4931	OPWC CP31S (Water Tank Painting)
December 31:						
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	5,000	13,179	2,653	12,906	263,215	27,896
2027	5,000	13,179	2,653	12,906	264,199	13,951
2028-2032	15,000	32,943	1,329	64,531	1,337,465	0
2033-2037	0	0	0	64,531	1,370,030	0
2038-2040	0	0	0	32,268	558,949	0
Total	\$40,000	\$98,838	\$14,594	\$225,860	\$4,578,030	\$125,535

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**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	\$260,437	\$4,543	\$264,980
<i>Total</i>	<u>\$260,437</u>	<u>\$4,543</u>	<u>\$264,980</u>

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 – 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. Ohio’s state of emergency ended in June, 2021 while the national state of emergency ended in May of 2023. During 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

**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, 2021*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 294,649	\$ 386,140	\$ 680,789
Municipal Income Tax	2,220,477	-	2,220,477
Intergovernmental	111,870	674,510	786,380
Charges for Services	155	34,378	34,533
Fines, Licenses and Permits	28,235	140	28,375
Earnings on Investments	4,692	11	4,703
Miscellaneous	105,247	14,931	120,178
<i>Total Cash Receipts</i>	<u>2,765,325</u>	<u>1,110,110</u>	<u>3,875,435</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	1,437,649	165,193	1,602,842
Public Health Services	8,699	-	8,699
Leisure Time Activities	188,777	128,992	317,769
Community Environment	11,013	82,739	93,752
Basic Utility Services	39,106	-	39,106
Transportation	-	479,723	479,723
General Government	607,322	132,141	739,463
Capital Outlay	-	229,027	229,027
Debt Service:			
Principal Retirement	2,500	6,245	8,745
Interest and Fiscal Charges	-	1,255	1,255
<i>Total Cash Disbursements</i>	<u>2,295,066</u>	<u>1,225,315</u>	<u>3,520,381</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>470,259</u>	<u>(115,205)</u>	<u>355,054</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	188,549	188,549
Transfers Out	(188,549)	-	(188,549)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(188,549)</u>	<u>188,549</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	281,710	73,344	355,054
<i>Fund Cash Balances, January 1</i>	<u>3,158,730</u>	<u>391,581</u>	<u>3,550,311</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,440,440</u>	<u>\$ 464,925</u>	<u>\$ 3,905,365</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, 2021*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,277,565
<i>Total Operating Cash Receipts</i>	1,277,565
<b>Operating Cash Disbursements</b>	
Personal Services	334,608
Employee Fringe Benefits	113,469
Contractual Services	294,066
Supplies and Materials	78,642
Other	95,498
<i>Total Operating Cash Disbursements</i>	916,283
<i>Operating Income (Loss)</i>	361,282
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(286,306)
Principal Retirement	(183,818)
Interest and Other Fiscal Charges	(139,948)
<i>Total Non-Operating Receipts (Disbursements)</i>	(610,072)
<i>Income (Loss) before Transfers</i>	(248,790)
Transfers In	22,104
Transfers Out	(22,104)
<i>Net Change in Fund Cash Balances</i>	(248,790)
<i>Fund Cash Balances, January 1</i>	1,122,508
<i>Fund Cash Balances, December 31</i>	\$ 873,718

*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, 2021*

	Fiduciary Fund Type
	Custodial
<b>Additions</b>	
Mayors Court Receipts	\$ 36,008
Other Amounts Collected for Distribution	4,200
	40,208
<i>Total Operating Cash Receipts</i>	<i>40,208</i>
<b>Deductions</b>	
Distributions to other governments	8,464
Distributions to other funds (Primary Government)	27,547
Other Distributions	4,550
	40,561
<i>Total Deductions</i>	<i>40,561</i>
<i>Net Change in Fund Cash Balances</i>	<i>(353)</i>
<i>Fund Cash Balances, January 1</i>	<i>169</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ (184)</i>

*See accompanying notes to the financial statements*

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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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, 2021*

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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 funds account 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 (C). 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 (C) 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 2021 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, 2021*

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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, 2021*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,470,550	\$2,765,325	\$294,775
Special Revenue	1,252,732	1,298,659	45,927
Enterprise	1,261,075	1,299,669	38,594
Total	\$4,984,357	\$5,363,653	\$379,296

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,692,200	\$2,558,460	\$133,740
Special Revenue	1,449,673	1,249,853	199,820
Enterprise	1,746,566	1,593,811	152,755
Total	\$5,888,439	\$5,402,124	\$486,315

**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:

	2021
Demand deposits	\$3,002,202
Non-Negotiable Certificates of deposit	1,776,697
Total deposits	4,778,899

***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, 2021*

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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, 2021.

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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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, 2021.

**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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CP12L Wastewater Treatment Improvements	\$45,000	0%
OPWC CP23I Water Main Replacement	\$17,247	0%
OPWC CP20J Water Treatment Plant Upgrade	\$112,017	0%
OPWC CP28J Water Treatment Plant Upgrade	\$238,766	0%
OPWC CP31S Water Tank Painting	\$153,431	0%
Ohio Water Development Authority Loan 4931	\$3,409,135	4%
2018 Front Loader	\$12,547	5.05%
Total	<u>\$3,988,143</u>	

The Ohio Public Works Commission (OPWC) (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 payments are made from the Sewer Fund (Enterprise Fund Type).

The 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 payments are made from the Water Fund (Enterprise Fund Type).

The 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. The payments are made from the Water Fund (Enterprise Fund Type).

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

The OPWC (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 payments are made from the Water Fund (Enterprise Fund Type).

The Ohio Water Development Authority Loan number 4931 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 payments are made from the Sewer Fund (Enterprise Fund Type).

***Financed Purchases***

The Village has entered into a financed purchases agreement in 2018 for a Front Loader where ownership of the underlying asset transfers to the Village by the end of the contract. The Village disbursed \$11,958 of principal and \$1,255 of interest to pay these costs for the year ended December 31, 2021. The payments are paid from the following funds: General Fund, Street Fund (Special Revenue Fund Type), Sewer Fund (Enterprise Fund Type) and the Water Fund (Enterprise Fund Type).

***Amortization***

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

Year ending December 31:	OPWC CP12L	OPWC CP20J (Water Treatment Plant Upgrade)	OPWC CP23I (Water Main Replacement)	OPWC CP28J (Water Treatment Plant Upgrade)	OWDA	OPWC	Financed Purchase
	(Wastewater Treatment Plan)					CP31S (Water Tank Painting)	
2022	\$5,000	\$13,179	\$2,653	\$12,906	\$259,701	\$27,896	\$13,214
2023	5,000	13,179	2,653	12,906	260,520	27,896	0
2024	5,000	13,179	2,653	12,906	261,377	27,896	0
2025	5,000	13,179	2,653	12,906	262,275	27,896	0
2026	5,000	13,179	2,653	12,906	263,215	27,896	0
2027-2031	20,000	46,122	3,982	64,531	1,331,803	13,951	0
2032-2036	0	0	0	64,531	1,362,914	0	0
2037-2040	0	0	0	45,174	835,926	0	0
Total	\$45,000	\$112,017	\$17,247	\$238,766	\$4,837,731	\$153,431	\$13,214

**Village of Lexington, Ohio**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**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	\$74,845	\$24,538	\$99,383
<i>Total</i>	<u>\$74,845</u>	<u>\$24,538</u>	<u>\$99,383</u>

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 – 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. Ohio’s state of emergency ended in June, 2021 while the national state of emergency ended in May of 2023. During 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

**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 Members of 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 years ended December 31, 2022 and 2021, and the related notes to the financial statements and have issued our report thereon dated September 15, 2023, 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(C) permit.

***Report on 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 were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be material a weakness.



Village of Lexington

Richland County

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*

***Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Village of Lexington's Response to the Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village of Lexington's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Village of Lexington's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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.

September 15, 2023

**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2022 AND 2021**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2022-001

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.

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

2022:

- Principal retirement and interest and fiscal charges debt activity in the Special Revenue Fund Type were understated by \$7,647 and \$667, respectively, while basic utility services and community environment disbursements were overstated by \$6,064 and \$2,250, respectively. Additionally, the Village recorded \$191,101 and \$135,134 of principal retirement and interest and other fiscal charges debt activity, respectively, as other operating disbursements in the Enterprise Fund Type.
- \$619,760 of intergovernmental receipts were incorrectly presented as property and other local taxes receipts in the Special Revenue Funds.
- The Village erroneously presented personal services disbursements of \$369,176 as fringe benefits disbursements in the Enterprise Fund Type.
- The Village erroneously presented contractual services disbursements of \$186,755 as supplies and materials disbursements in the Enterprise Fund Type.
- The Village erroneously presented transportation disbursements of \$498,699 as basic utility service disbursements in the Special Revenue Fund Type.
- Special Revenue Fund Type capital outlay disbursements were understated by \$239,856, while basic utility services disbursements were overstated by \$239,856.
- Custodial Fund Type mayors court receipts and other amounts collected for distribution additions were understated by \$25,720 and \$3,800, respectively, while charges for services and fines licenses and permits additions were overstated \$3,800 and \$25,720, respectively. Custodial Fund Type Distributions to other governments, Distributions to other funds (Primary Government) and other deductions were understated \$6,725, \$18,995 and \$3,930, respectively, while contract services deductions were overstated \$29,650.
- Beginning fund balance in the General Fund and Special Revenue Fund Type were understated by \$1 and \$3, respectively.
- Enterprise Fund Type special items disbursements were overstated by \$45,434, while ending fund balance understated by \$45,434.

**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2022-001 – (Continued)

2021:

- Principal retirement and interest and fiscal charges debt activity in the Special Revenue Fund Type were understated by \$6,245 and \$1,255, respectively, while transportation disbursements were overstated by \$7,500. Additionally, the Village recorded \$183,818 and \$139,948 of principal and interest debt activity, respectively, as other disbursements in the Enterprise Fund Type. Lastly, principal debt activity in the General Fund was understated by \$2,500, while leisure time activity disbursements was overstated by \$2,500.
- Special Revenue Fund Type capital outlay disbursements were understated by \$229,027, while transportation disbursements were overstated by \$229,027. Capital outlay disbursements in the Enterprise Fund were understated by \$286,306 and other disbursements were overstated by \$286,306.
- Custodial Fund Type mayors court receipts and other amounts collected for distribution additions were understated \$36,008 and \$4,200, respectively, while miscellaneous additions were overstated \$40,208. Custodial Fund Type Distributions to other governments, Distributions to other funds (Primary Government) and other distribution deductions were understated \$8,464, \$27,547 and \$4,550, respectively, while contract services deductions were overstated \$40,561.
- The Village erroneously presented personal services disbursements of \$334,608 as fringe benefits disbursements in the Enterprise Fund Type.
- The Village erroneously presented contract services disbursements of \$201,114 as supplies and materials disbursements in the Enterprise Fund Type.
- Beginning fund balance in the Enterprise Fund Type was understated by \$3.
- \$378,094 of intergovernmental receipts were incorrectly presented as property and other local taxes receipts in the Special Revenue Funds.
- The Village erroneously presented \$125,000 of transfers in and transfers out of the general fund.
- The Village understated charges for services receipts in the Enterprise Fund Type by \$73.

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.

**VILLAGE OF LEXINGTON  
RICHLAND COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2022 AND 2021**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2020-001	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 2022-001.
2020-002	2020	<u>Material Weakness/Noncompliance – Coronavirus Relief Funds</u> – 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. The Village did not properly establish the CARES fund.	Fully Corrected	N/A

# 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 12/21/2023**

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)