

VILLAGE OF COVINGTON



Annual Financial Report Year Ended December 31, 2022

Village of Covington, Ohio*Miami 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 281,370	\$ 100,308		\$ 381,678
Municipal Income Tax	1,212,133	400,098		1,612,231
Intergovernmental	117,655	2,895,624		3,013,279
Special Assessments		48,170	12,417	60,587
Charges for Services	52,066			52,066
Fines, Licenses and Permits	28,277	6,942		35,219
Earnings on Investments	431			431
Miscellaneous	26,132	1,036	734,136	761,304
<i>Total Cash Receipts</i>	<u>1,718,064</u>	<u>3,452,178</u>	<u>746,553</u>	<u>5,916,795</u>
Cash Disbursements				
Current:				
Security of Persons and Property	651,878	294,071		945,949
Leisure Time Activities	22,775			22,775
Transportation		279,938		279,938
General Government	464,604	2,368	932	467,904
Capital Outlay	18,489	2,728,527	208,155	2,955,171
Debt Service:				
Principal Retirement		146,615		146,615
Interest and Fiscal Charges		17,011		17,011
<i>Total Cash Disbursements</i>	<u>1,157,746</u>	<u>3,468,530</u>	<u>209,087</u>	<u>4,835,363</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>560,318</u>	<u>(16,352)</u>	<u>537,466</u>	<u>1,081,432</u>
Other Financing Receipts (Disbursements)				
Loans Issued		119,890		119,890
Transfers In		160,057	325,000	485,057
Transfers Out	(485,057)			(485,057)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(485,057)</u>	<u>279,947</u>	<u>325,000</u>	<u>119,890</u>
<i>Net Change in Fund Cash Balances</i>	75,261	263,595	862,466	1,201,322
<i>Fund Cash Balances, January 1</i>	<u>663,152</u>	<u>594,347</u>	<u>170,624</u>	<u>1,428,123</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 738,413</u>	<u>\$ 857,942</u>	<u>\$ 1,033,090</u>	<u>\$ 2,629,445</u>

See accompanying notes to the basic financial statements

Village of Covington, Ohio*Miami County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary Fund Types**For the Year Ended December 31, 2022*

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 1,970,160
Miscellaneous	<u>10,595</u>
<i>Total Operating Cash Receipts</i>	<u>1,980,755</u>
Operating Cash Disbursements	
Personal Services	296,244
Employee Fringe Benefits	127,973
Contractual Services	415,307
Supplies and Materials	<u>35,179</u>
<i>Total Operating Cash Disbursements</i>	<u>874,703</u>
<i>Operating Income (Loss)</i>	<u>1,106,052</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental Grants	0
Loans Issued	592,418
Capital Outlay	(592,418)
Principal Retirement	(412,124)
Interest and Other Fiscal Charges	<u>(49,501)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(461,625)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	644,427
Transfers In	0
Advances Out	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	644,427
<i>Fund Cash Balances, January 1</i>	<u>1,559,697</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 2,204,124</u></u>

See accompanying notes to the basic financial statements

Village of Covington, Ohio
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 - Reporting Entity

The Village of Covington (the Village), Miami County, 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 general governmental services, including water and sewer utilities, park operations, trash collection and police services. The Village contracts with Covington Fire and Rescue to receive fire protection and EMS services. The Village also contracts with the City of St. Mary's to provide for income tax collection and administrative services. The Village Administrator serves as the liaison between the Village and St. Mary's for Income tax information and administrative issues.

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 fund types which are organized on a fund type basis.

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway Fund This fund receives gasoline and motor vehicle taxes for use in constructing, maintaining, and repairing state highways within the Village.

Street Lighting Fund This fund receives proceeds of special assessments from Village property owners to provide street lighting.

Fire/EMS Fund This fund receives tax levy monies for providing fire protection and emergency medical services.

American Rescue Plan Grant Fund This fund accounts for and reports intergovernmental revenues restricted for disbursements designated by the grant.

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Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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. Revenues are utilized to cover the cost of providing operation and maintenance of the water system as well as water system debt service repayment.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. Revenues are utilized to cover the cost of providing operation and maintenance of the sewer system as well as sewer system debt service repayment.

Trash Fund The trash fund accounts for the provision of trash, recycling and debris collection services to the residents and commercial users within the Village. Revenues are utilized to cover the cost of providing operation and maintenance of the trash, recycling, and debris collection equipment as well as equipment debt service repayment.

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 be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash balances 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 canceled and re-appropriated in the subsequent year.

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A summary of 2022 budgetary activity appears in Note 3.

Deposits and Investments

The Village only has depository bank accounts and no investment holdings.

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.

Leases

The Village is the lessor/lessee in various leases (as defined by GASB 87) related to buildings, vehicles, and other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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 Fund balances are *assigned* when 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.

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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 12.

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	\$1,546,387	\$1,718,064	\$171,677
Special Revenue	5,130,526	3,732,125	(1,398,401)
Capital Projects	1,322,000	1,071,553	(250,447)
Enterprise	2,299,125	2,573,173	274,048
Total	<u>\$10,298,038</u>	<u>\$9,094,915</u>	<u>(\$1,203,123)</u>

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,881,150	\$1,643,272	\$237,878
Special Revenue	5,584,911	3,468,530	2,116,381
Capital Projects	785,750	325,068	460,682
Enterprise	2,933,225	1,991,759	941,466
Total	<u>\$11,185,036</u>	<u>\$7,428,629</u>	<u>\$3,756,407</u>

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits on December 31 was as follows:

	2022
Demand deposits	4,833,569
Total deposits	<u>4,833,569</u>

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Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institutions.

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.

Public utilities are also taxed on personal and real property located within the Village.

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 1.5 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.

The Village contracts with the City of St. Mary's to provide for income tax collection and administrative services. The Village Administrator serves as the liaison between the Village and St Mary's for Income tax information and administrative issues.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

-General liability and casualty

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- Public official's liability
- Law enforcement liability
- Vehicles & Automobile liability
- Property & Equipment breakdown
- Cyber

The Pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of December 31:

	<u>2022</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village 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.

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. OP&F participants contributed 12.25% of their gross salaries and 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.

Social Security

Several Village council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Council Members contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. 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

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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 percent during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Beginning January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt

Debt outstanding at December 31, 2022 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds-Spring Street Reconstruction	\$ 285,000	3.25%
Ohio Public Works Commission Loan (Spring Street)	313,333	0.00%
Ohio Public Works Commission Loan (St Rt 48)	343,588	0.00%
Ohio Public Works Commission Loan (High Street)	119,890	0.00%
Ohio Water Development Authority Loan (Water Plant)	689,404	2.75%
Ohio Water Development Authority Loan (St Rt 48)	278,571	0.50%
Ohio Public Works Commission Loan (Lift Station)	135,000	0.00%
Ohio Public Works Commission Loan (Sewer Plant Phase 1)	325,000	0.00%
Ohio Water Development Authority Loan (Sewer Plant)	552,413	1.00%
Ohio Water Development Authority Loan (Sewer Plant Phase 2)	592,418	0.00%
TCF Financing Lease (Street Sweeper)	141,806	3.56%
	<u>\$ 3,776,423</u>	

The Spring Street Improvement Bond was issued in the amount of \$950,000 through Covington Savings and Loan in 2015 to pay for the reconstruction of Spring Street. One principal payment of \$95,000 was made on this debt in April 2022 and two interest payments were made on this loan in 2022 totaling \$10,806. The Village will repay the bond in semiannual installments over 10 years. Payments were made from the street fund.

The Spring Street Reconstruction Ohio Public Works Commission (OPWC) Loan for Spring Street was obtained in 2015 in the amount of \$400,000. The Village repays the loan in semiannual installments of \$6,667 over 30 years. Payments were made from the street fund.

The Street and Waterline Utility Project OPWC loan was issued for State Route 48 during 2021 in the amount of \$349,412. The first payment was due in July 2022. The Village will repay the loan in semiannual installments of \$5,823 over 30 years. Payments were made from the street fund.

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The High Street Reconstruction Ohio Public Works Commission (OPWC) Loan for High Street was obtained in 2022 in the amount of \$948,500. The loan balance drawn down at December 2022 was \$119,890. Once the project is finalized with ODOT, the Village will repay the loan in semiannual installments of over 30 years. Payments will be made from the street fund.

The Ohio Water Development Authority (OWDA) loan was obtained to construct a new water treatment plant for the village that was mandated by the Ohio EPA. The OWDA approved a loan of \$3,688,265 in 2006 to the Village for this project. The Village repays the loan in semiannual installments of \$120,493, including interest, over 20 years. Payments were made from the water fund.

The Street and Waterline Utility Project OWDA loan was issued for State Route 48 during 2021 in the amount of \$300,050. The first payment is due in January 2022. The Village will repay the loan in semiannual installments of \$7,892, including interest, over 20 years. Payments will be made from the water fund.

The OPWC Lift Station Improvements loan was approved in 2017 in the total amount \$150,000. The Village will repay the loan in semiannual installments of \$2,500 over 30 years. Payments were made from the sewer fund.

The WWTP Improvements OPWC loan was issued in the amount of \$375,000 during 2018. The Village will repay the loan in semiannual installments of \$6,250 over 30 years. Payments were made from the sewer fund.

The Wastewater Treatment Plant (WWTP) Improvements OWDA loan is a 1% low interest loan that was originally obtained in 2015 to pay for a portion of the Sewer Plant Phase 1 design. In 2017, the balance of the design loan in the amount \$70,951 was rolled over to the Sewer Plant Construction loan. The loan was approved in the amount of \$697,749. The Village repays the loan in semiannual installments of \$19,281, including interest, over 20 years. Payments were made from the sewer fund.

The Wastewater Treatment Plant (WWTP) Improvements OWDA loan is a 0% interest planning design loan that was obtained in 2022 to pay for a portion of the Sewer Plant Phase 2 design. The loan was approved in the amount of \$643,125. The loan balance drawn down at December 2022 was \$592,418. In 2023, the balance of the design loan will be rolled over to the Sewer Plant Construction loan.

The Village adjusted utility rates sufficiently to cover OWDA/OPWC debt service requirements.

Financed Purchases

The Village has entered into financed purchase agreements for vehicles where ownership of the underlying asset transfers to the Village by the end of the contract. In January 2021, the Village entered into a lease agreement for a new Tymco Street Sweeper. The original amount of the lease is \$193,310, including interest at a rate of 3.56%, and a term of five years. The Village will repay the lease in annual installments of \$38,662, including interest, over 5 years. Payments were made from the street fund.

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Amortization

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

Year ending December 31:	Financed Purchases	OWDA Loans	General Obligation Bonds	OPWC Loans
2023	\$ 38,662	\$ 295,332	\$ 102,719	\$ 42,480
2024	\$ 38,662	\$ 295,332	\$ 99,631	\$ 42,480
2025	\$ 38,662	\$ 295,332	\$ 96,544	\$ 42,480
2026	\$ 38,662	\$ 54,346	\$ -	\$ 42,480
2027	\$ -	\$ 54,346	\$ -	\$ 42,480
2028-2032	\$ -	\$ 271,728	\$ -	\$ 212,402
2033-2037	\$ -	\$ 271,728	\$ -	\$ 212,402
2038-2042	\$ -	\$ 74,524	\$ -	\$ 212,402
2043-2047	\$ -	\$ -	\$ -	\$ 192,402
2048-2052	\$ -	\$ -	\$ -	\$ 74,912
Total	<u>\$ 154,648</u>	<u>\$ 1,612,668</u>	<u>\$ 298,894</u>	<u>\$ 1,116,920</u>

Note 10 – Subsequent Events

During the first quarter of 2023, the Village will apply for a water pollution control loan for the construction of the new wastewater plant through OWDA for approximately \$19,334,957. The design loan balance of \$592,418 will be rolled over and is included in the above total. The new construction loan will include a \$4,000,000 principal forgiveness, \$5,564,840 at 0% interest, and the remaining balance of \$9,770,117 at 1% interest. The estimated annual debt payment on the construction loan is \$566,685 and payments will not begin until 2025.

Note 11 – Contingent Liabilities

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

Note 12 - Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. 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:

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<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Outstanding Encumbrances	\$ 469	\$ -	\$ 115,981	\$ 116,450
 Total	 \$ 469	 \$ -	 \$ 115,981	 \$ 116,450

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. 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 emergency funding, either federal or state, cannot be estimated.

During 2022, the Village received \$142,965 of American Rescue Plan funding. Combined with the amount received in 2021 of \$141,833, the amount received in American Rescue Plan funding totals \$284,798. The Village expended none of these funds in 2022.