

Village of Lynchburg
Highland County, Ohio

Single Audit

For the year ended December 31, 2010
Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

Members of Council
Village of Lynchburg
155 South Main Street
Lynchburg, Ohio 45142

We have reviewed the *Independent Auditor's Report* of the Village of Lynchburg, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Lynchburg is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 20, 2011

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Village of Lynchburg
Highland County, Ohio
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For the Fiscal Years Ended December 31, 2010

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Independent Auditor's Report

Council Members
Village of Lynchburg
Highland County
155 South Main Street
Lynchburg, Ohio 45142

We have audited the accompanying financial statements of Village of Lynchburg, Highland County, Ohio (the Village), as of and for the year ended December 31, 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

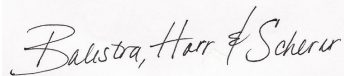
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Lynchburg, Highland County, as of December 31, 2010, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the Village's financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

April 22, 2011

**Village of Lynchburg
Highland County**

***Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2010***

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 98,506	\$ 191,616	\$ 290,122
Intergovernmental	16,033	150,094	166,127
Special Assessments	1,609	-	1,609
Charges for Services	20,000	-	20,000
Fines, Licenses & Permits	22,512	2,665	25,177
Earnings on Investments	1,202	892	2,094
Miscellaneous	9,961	4,411	14,372
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	169,823	349,678	519,501
Cash Disbursements:			
Current:			
Security of Persons & Property	577	126,107	126,684
Public Health Service	2,384	-	2,384
Leisure Time Activities	15,137	242	15,379
Basic Utility Services	4,166	-	4,166
Transportation	3,499	115,329	118,828
General Government	86,199	12,253	98,452
Capital Outlay	18,873	25,464	44,337
Debt Service:			
Principal Payments	-	3,720	3,720
Interest and Fiscal Charges	-	504	504
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	130,835	283,619	414,454
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	38,988	66,059	105,047
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	1,541	41,957	43,498
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>
	\$ 40,529	\$ 108,016	\$ 148,545
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$ 341	\$ 68	\$ 409

The notes to the financial statements are an integral part of this statement.

**Village of Lynchburg
Highland County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2010*

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 749,756	\$ -	\$ 749,756
Total Operating Cash Receipts	749,756	-	749,756
Operating Cash Disbursements:			
Personal Services	119,212	-	119,212
Employee Fringe Benefits	25,966	-	25,966
Contractual Services	280,893	-	280,893
Supplies and Materials	51,012	-	51,012
Capital Outlay	2,789,852	-	2,789,852
Other	33,232	-	33,232
Total Operating Cash Disbursements	3,300,167	-	3,300,167
Operating Loss	(2,550,411)	-	(2,550,411)
Non-Operating Receipts (Disbursements):			
Intergovernmental	2,199,477	-	2,199,477
Special Assessments	177,296	-	177,296
Proceeds of Notes	2,288,450	-	2,288,450
Miscellaneous Receipts	21,094	-	21,094
Other Nonoperating Receipts	-	10,400	10,400
Other Nonoperating Disbursements	-	(10,244)	(10,244)
Principal Payments	(1,846,440)	-	(1,846,440)
Interest and Fiscal Charges	(59,466)	-	(59,466)
Total Non-Operating Receipts/(Disbursements)	2,780,411	156	2,780,567
Net Receipts Over Disbursements	230,000	156	230,156
Fund Cash Balances, January 1	211,591	908	212,499
Fund Cash Balances, December 31	<u>\$ 441,591</u>	<u>\$ 1,064</u>	<u>\$ 442,655</u>
Reserve for Encumbrances, December 31	<u>\$ 774</u>	<u>\$ -</u>	<u>\$ 774</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lynchburg, Highland County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, water, sewer, trash and storm sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 Auditor of State prescribes or permits.

C. Cash and Deposits

The Village funds are deposited in a checking account at a local bank.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds:

These funds are used to account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for construction, maintaining and repairing Village streets.

Street Construction Levy – This fund receives tax money for construction, maintaining, and repairing Village streets.

State Highway Fund – This fund receives state money for constructing, maintaining and repairing Village streets in conjunction with the state highways in the Village.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Proprietary Funds:

Enterprise Fund

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

Water Fund – This fund receives charges for services from residents to cover the cost of providing water services to residents.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing sewer services to residents.

Garbage and Refuse Fund – This fund receives fees charged for providing refuse service.

Water Tower Fund – This fund is used to accumulate resources for the payment of a loan from the Ohio Public Works Commission.

Wastewater Treatment Plant Fund – This fund is used to accumulate resources for the payment of loans from the Ohio Public Works Commission and Ohio Water Development Authority.

4. Fiduciary Funds

Agency Fund

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government.

Mayor's Court Fund – This fund receives money from citations issued by the Village's Police Department. Money collected is distributed in accordance with Ohio Revised Code to the Village and the State.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

2. 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 also approve estimated resources.

3. 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 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2010
	<hr/>
Demand Deposits	\$ 591,200
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Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2010 was as follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 157,080	\$ 169,823	\$ 12,743
Special Revenue	323,610	349,678	26,068
Enterprise	5,452,777	5,436,073	(16,704)
Total	<u>\$ 5,933,467</u>	<u>\$ 5,955,574</u>	<u>\$ 22,107</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 153,807	131,176	\$ 22,631
Special Revenue	355,305	283,687	71,618
Enterprise	5,769,300	5,206,847	562,453
Total	<u>\$ 6,278,412</u>	<u>\$ 5,621,710</u>	<u>\$ 656,702</u>

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$ 2,059,985	2-7.96%
Ohio Public Works Commission Loans	195,109	0%
Fifth Third Bank	7,581	2.80%
Total	<u>\$2,262,675</u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer plant expansion project that were mandated by the Ohio Environmental Protection Agency. The OWDA approved and disbursed \$2,682,743 in prior years and an additional \$683,001 during the audit period in loans on the Villages behalf for this project, which will be paid in semi-annual installments ranging from 24 to 30 years. These loans are secured by utility fund customer charges for services. Amortization schedules for certain OWDA loans are not yet complete.

The Ohio Public Works Commission (OPWC) loans relate to a water tower replacement project. The OPWC approved and disbursed on the Villages behalf a total loan of \$96,869 in prior years and \$140,500 during 2009, which will be paid in semi-annual installments for a term of 20 years.

The Firth Third Bank loan relates to the purchase of a new police cruiser. The Bank approved and disbursed on the Villages behalf a total loan of \$18,140, which will be paid in installments for a term of 5 years.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

5. DEBT (Continued)

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

Year ending December 31:	<u>OWDA Loans*</u>	<u>OPWC Loans</u>	<u>5/3 Bank</u>
2011	\$ 182,739	\$ 11,868	\$ 4,224
2012	182,739	11,868	4,224
2013	182,739	11,868	-
2014	182,739	11,868	-
2015	59,356	11,868	-
2016-2020	237,424	59,342	-
2021-2025	-	44,811	-
2026-2030	-	31,616	-
Total	<u>\$ 1,027,736</u>	<u>\$ 195,109</u>	<u>\$ 8,448</u>

* The OWDA loans have not been fully drawn as of December 31, 2010. As such, a final amortization schedule is not available.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2010, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS 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, 2010.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The Village has not incurred significant reductions in insurance coverage from the prior year by category or risks.

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

8. 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 of disallowed cost. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. COMPLIANCE

Contrary to the Ohio Revised Code section 5705.36(A)(4), the Village had appropriations in excess of available resources, which are defined as actual receipts plus unencumbered fund balance.

**Village of Lynchburg
Highland County, Ohio**
*Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2010*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Environmental Protection Agency			
<i>Passed through Ohio Water Development Authority</i>			
Capitalization Grants for Clean Water State Revolving Funds, ARRA	NA	66.458	\$ 1,699,477
Total Environmental Protection Agency			<u>1,699,477</u>
Total Federal Financial Assistance			<u>\$ 1,699,477</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Notes to the Schedule of Expenditures of Federal Awards

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the Village's federal



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

Council Members
Village of Lynchburg
Highland County
155 South Main Street
Lynchburg, Ohio 45142

We have audited the financial statements of Village of Lynchburg, Highland County, Ohio, (the Village) as of and for the year ended December 31, 2010, and have issued our report thereon dated April 22, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

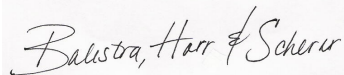
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-002.

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

We intend this report solely for the information and use of management, the Village Council, federal awarding agencies, pass-through entities, and others within the Village. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
April 22, 2011



Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Council Members
Village of Lynchburg
Highland County
155 South Main Street
Lynchburg, Ohio 45142

Compliance

We have audited the compliance of Village of Lynchburg, Highland County, Ohio (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Lynchburg's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to the major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Village Council, others within the Village, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
April 22, 2011

Village of Lynchburg
Highland County
Schedule of Findings
OMB Circular A-133 Section .505
December 31, 2010

Summary of Auditor's Results

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

Village of Lynchburg
Highland County
Schedule of Findings
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2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2010-001

Material Weakness

The Village had several reclassifications and adjustments that were identified during the course of the audit. Not all of the Village's receipts and deposits had proper supporting documentation. Reclassifications were made to the following accounts during the audit period:

- Intergovernmental Revenue
- Charges for Services
- Fines, Licenses, and Permits
- Municipal Income Tax
- Property Tax Revenue
- Principal Payments
- Interest and Fiscal Charges
- Loan Proceeds
- Other Financing Sources (Uses)
- Transfers

The Village should implement applications and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported in accordance with the accounting basis required for the Village to follow.

Client Response:

New clerk was appointed in January of 2009 in an effort to correct issues such as this.

FINDING NUMBER 2010-002

Material Noncompliance

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

The Village had two funds in 2010 that had appropriations that exceeded available resources which are defined as actual receipts plus unencumbered beginning balance.

Village of Lynchburg
Highland County
Schedule of Findings
OMB Circular A-133 Section .505
December 31, 2010

FINDING NUMBER 2010-002 (continued)

The Village should implement monitoring procedures that ensure appropriations do not exceed available resource. If the Village determines that their actual receipts will be less than their estimated then they should obtain an amended certificate or resources and adjust their appropriations accordingly.

Client Response:

New clerk was appointed in January of 2009 in an effort to correct issues such as this.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Material weakness due to reclassifications and adjustments during the audit	No	Reissued as 2010-001
2009-002	Material weakness due to elected official's compensation	Yes	
2009-003	Proper public purpose for expenditures of public funds	Yes	
2009-004	ORC 5705.41(D) Proper use of Purchase orders	Yes	
2009-005	ORC 5705.39 Appropriations limited by available resources	Yes	
2009-006	ORC 5705.38 Passing an appropriation measure at legal level of control	Yes	
2009-007	ORC 9.38 Timely deposits	Yes	
2009-008	ORC 5705.36(A)(4) Estimated resources in excess of actual receipts	Yes	
2009-009	ORC 5705.10 Negative cash balance in the General Fund	Yes	
2009-010	ORC 5705.36 Certification to the County Auditor all sources available for expenditure	No	Reissued as 2010-002
2009-011	ORC 5705.41(B) expenditures of money without appropriation	Yes	
2009-012	Cashing personal and third party checks	Yes	
2009-013	Monthly reconciliation of the utility system to the UAN and bank account	Yes	
2009-014	Recording utility receipts into the UAN system daily	Yes	
2009-015	Depositing utility receipts into the bank daily	Yes	
2009-016	Use of memorandum check for utility deposit refunds	Yes	
2009-017	Petty cash fund policy	Yes	
2009-018	Bulk water token reconciliation	Yes	
2009-019	Utility payments returned for non-sufficient funds	Yes	
2009-020	Salary payment in advance of services rendered	Yes	
2009-021	Reporting all wages on form W-2	Yes	
2009-022	Supporting documentation	Yes	
2009-023	Use of manual checks	Yes	
2009-024	Material Weakness – Reconciliations	Yes	



Dave Yost • Auditor of State

VILLAGE OF LYNCHBURG

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 30, 2011