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Certified Public Accountants, A.C.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
Agreed-Upon Procedures
For the Years Ended December 31, 2014 and 2013**

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Lynchburg
155 South Main Street
P.O. Box 402
Lynchburg, Ohio 45142

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of the Village of Lynchburg, Highland County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

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

February 10, 2016

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VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

December 8, 2015

Village of Lynchburg
Highland County
155 South Main Street
P.O. Box 402
Lynchburg, Ohio 45142

To the Village Council, Mayor, and Management:

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the **Village of Lynchburg**, Highland County, Ohio (the Village) and the Auditor of State have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2014 and 2013, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Combined Statement of Receipts, Disbursements and Changes in Fund Balances to the December 31, 2012 balances in the prior year audited statements. We noted the balances did not agree, due to prior audit adjustments that were proposed. The adjustment was proposed to move a Special Assessment Lighting Fund from an Enterprise Fund to a Special Revenue Fund. The Village did not make this change until 2014. We also agreed the January 1, 2014 beginning fund balances recorded in the Combined Statement of Receipts, Disbursements and Changes in Fund Balances to the December 31, 2013 balances in the Combined Statement of Receipts, Disbursements and Changes in Fund Balances. The amounts did not agree due to the Village moving the Special Assessment Lighting Fund from an Enterprise Fund to a Special Revenue Fund. No other exceptions were noted.



...*"bringing more to the table"*

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Cash (Continued)

3. We agreed the totals per the bank reconciliations to the total of the December 31, 2014 and 2013 fund cash balances reported in the Combined Statement of Receipts, Disbursements and Changes in Fund Balances. The amounts agreed.
4. We confirmed the December 31, 2014 bank account balances with the Village's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2014 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2014 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2014 and one from 2013:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue Ledger to determine whether it included two real estate tax receipts for 2014 and 2013. We noted the Revenue Ledger included the proper number of tax receipts for each year.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2014 and all from 2013. We also selected five receipts from the County Auditor's Expenditure History by Vendor Report from 2014 and five from 2013.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Ledger. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We noted Homestead and Rollback receipts received from the State were not recorded to the proper funds per the *Statement of Semiannual Apportionment of Taxes*. The Village should have recorded these receipts to the General Fund, Street Construction Levy Fund and Police Fund. The Village posted an adjustment to their accounting system decreasing the General Fund and Street, Construction Maintenance and Repair Fund by \$32,683 and \$16,091, respectively and increasing the Street Construction Levy Fund and Police Fund by \$24,387 and \$24,387, respectively. No other exceptions were noted.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Water, Sewer & Trash Fund

1. We haphazardly selected 10 Water Operating Fund, Sewer Operating Fund & Trash Fund collection cash receipts from the year ended December 31, 2014 and 10 Water Operating Fund, Sewer Operating Fund & Trash Fund collection cash receipts from the year ended 2013 recorded in the Revenue Ledger and determined whether the:
 - a. Receipt amount per the Revenue Ledger agreed to the amount recorded to the credit of the customer's account in the U/B Receipts Posting Journal. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the U/B Receipts Posting Journal for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We noted late fees relating to these services were recorded in the General Fund. The Village posted an adjustment to their accounting system decreasing the General Fund by \$43,442 and increasing the Water Operating Fund, Sewer Operating Fund and Trash Fund by \$17,348, \$21,387 and \$4,707, respectively. We noted no other exceptions.
2. We read the Past Due Balance Report.
 - a. We noted this report listed \$605 and \$716 of accounts receivable as of December 31, 2014 and 2013, respectively.
 - b. Of the total receivables reported in the preceding step, \$0 and \$0 were recorded as more than 90 days delinquent.
3. We read the Adjustment Report.
 - a. We noted this report listed a total of \$578 and \$10,238 non-cash receipts adjustments for the years ended December 31, 2014 and 2013, respectively.
 - b. We selected five non-cash adjustments from 2014 and five non-cash adjustments from 2013, and noted that the Mayor approved each adjustment and Council reviewed each adjustment at monthly meetings.

Debt

1. From the prior audit documentation, we noted the following loans and leases outstanding as of December 31, 2012. These amounts agreed to the Villages January 1, 2012 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2012:
OWDA Safe Water #1372 Loan	\$119,837
OWDA Water Treatment Plant & Collection #2776 Loan	\$108,557
OWDA Water Treatment Plant #3037 Loan	\$316,851
OWDA Water Treatment Plant Supplement #3038 Loan	\$8,519
OWDA WWTP Improvement Phase 1 #4982 Loan	\$417,859
OWDA WWTP Improvement Phase 2 #5268 Loan	\$944,494
OPWC Water Tower #CO18D Loan	\$50,857
OPWC Sanitary Sewer Improvements #CO06K Loan	\$100,188
OPWC WWTP Improvements #CT43L Loan	\$22,750
Water Meter Lease	\$29,267

Debt (Continued)

2. We inquired of management, and scanned the Revenue Ledger and Appropriation Ledger for evidence of debt issued during 2014 or 2013 or debt payment activity during 2014 or 2013. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of the bond, note, and loan debt activity for 2014 and 2013 and agreed principal and interest payments reported from the related debt amortization schedules to the Sewer Debt Service Fund and Water Debt Service Fund payments reported in the Appropriation Ledger. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Revenue Ledger. We could not agree debt proceeds due to the Village not posting debt proceeds to the Revenue Ledger.
5. For new debt issued during 2014 and 2013, we inspected the debt legislation, noting the Village must use the proceeds to purchase a truck. We scanned the Payment Register Detail Report and noted no disbursements for a truck. The Village did not record the Capital Outlay expenditure due to the lending bank issuing a check directly to the vendor for the purchase of a truck.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for all employees from 2014 and one payroll check for all employees from 2013 from the Employee Payroll Reports and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Payroll Reports to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We were not able to agree approved pay rates for 2 employees tested in 2013 due to their pay rates not being formally approved by Council. We recommend salary schedules be updated and approved for all current employees and all newly hired employees have a formally approved and documented pay rate. We also noted compensatory time was not always properly approved or followed the Village's policy. We recommend Council approve a compensatory time policy that includes a formal approval process for earning and taking compensatory time. We noted no other exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
 - c. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the minute record or as required by statute. We also determined whether the payment was posted to the proper year. We noted a Village employee's pay was posted 100% to the Sewer Operating Fund without proper documentation of allowability. The Village posted an adjustment to their accounting system decreasing the General Fund by \$1,302 and increasing the Sewer Operating Fund by \$1,302. We recommend employees document time spent on duties to be charged to various funds for each pay period. We also recommend the Village review other pays for the individual found in error and make appropriate adjustments. Because we did not test all payroll disbursements, our report provides no assurance whether or not additional similar errors occurred.
2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2014 to determine whether the remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employers share, where applicable, during the final withholding period of 2014. We noted the following:

Payroll Cash Disbursements (Continued)

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2015	January 15, 2015	\$ 3,038.66	\$ 3,038.66
State income taxes	January 31, 2015	January 27, 2015	\$ 611.83	\$ 611.83
OPERS retirement	January 30, 2015	January 16, 2015	\$ 3,857.77	\$ 3,857.77

3. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Employee Payroll Reports:
 - a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Village's payout policy.

We noted the payout was not consistent with the employee's pay rate in effect as of the termination date. The employee was paid at a rate of \$20.19 and their approved pay rate was \$19.23. The total overpayment was \$284. Because we did not test all termination payments, our report provides no assurance whether or not additional similar errors occurred.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detailed Report for the year ended December 31, 2014 and ten from the year ended 2013 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detailed Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found four instances in 2013 and nine instances in 2014 where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41 (D) requires certifying at the time of commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street Construction, Maintenance, and Repair, and Street Construction Levy Funds for the years ended December 31, 2014 and 2013. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General, Street Construction Maintenance and Repair and Street Construction Levy Funds in 2014. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund, Street Construction Maintenance and Repair and Street Construction Levy Funds of \$167,932, \$41,100 and \$68,000, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$125,735, \$51,400 and \$73,185, respectively. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and monitoring purposes.
2. We scanned the appropriation measures adopted for 2014 and 2013 to determine whether, for the General, Street Construction, Maintenance, and Repair, and Street Construction Levy Funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Section 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2014 and 2013 for the following funds: General, Street Construction, Maintenance, and Repair, and Street Construction Levy Funds. The approved appropriations agreed to the amounts recorded in the accounting system, except for the General, Street Construction Maintenance and Repair and Street Construction Levy Funds in 2014. Approved appropriations for the General, Street Construction, Maintenance, and Repair, and Street Construction Levy Funds were \$148,000, \$73,065 and \$70,100, respectively. Amounts recorded in the accounting system for the General, Street Construction, Maintenance, and Repair, and Street Construction Levy Funds were \$144,764, \$53,455 and \$58,153, respectively. We found no other exceptions.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street Construction, Maintenance, and Repair, and Street Construction Levy Funds for the years ended December 31, 2014 and 2013. We found no exceptions.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2014 and 2013 for the General, Street Construction and Maintenance and Street Construction Levy Funds, as recorded in the Appropriation Status Report. We noted appropriations exceeded expenditures in the General Fund for 2014. Approved appropriations were \$148,000 and expenditures were \$201,324. We noted no other exceptions.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue Ledger for evidence of new restricted receipts requiring a new fund during December 31, 2014 and 2013. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.

Compliance – Budgetary (Continued)

7. We scanned the 2014 and 2013 Revenue Ledgers and Appropriation Status Reports for evidence of interfund transfers exceeding \$1,000 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas. We noted transfers were not approved by Council.
8. We inquired of management and scanned the Appropriation Status Report to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2014 and 2013 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Appropriation Ledger for the years ended December 31, 2014 and 2013 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct Village roads (cost of project \$5,000- \$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and those charged with governance, the Auditor of State and others within the Village and is not intended to be, and should not be used by anyone other than these specified parties.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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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
FEBRUARY 23, 2016**