



**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

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Vienna, WV 26105
304 422 2203

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KEITH FABER



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Village Council
Village of Lynchburg
PO Box 402
Lynchburg, OH 45142

We have reviewed the *Independent Auditor's Report* of the Village of Lynchburg, Highland County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. 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 Lynchburg is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 12, 2019

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VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 30, 2019

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the **Village of Lynchburg**, Highland County (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lynchburg, Highland County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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's internal control over financial reporting and compliance.



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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 45,244	\$ 188,705	\$ 233,949
Intergovernmental	37,907	91,312	129,219
Special Assessments	-	34,505	34,505
Charges for Services	49,913	-	49,913
Fines, Licenses and Permits	18,932	-	18,932
Miscellaneous	2,605	2,423	5,028
	<u>154,601</u>	<u>316,945</u>	<u>471,546</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	142	114,910	115,052
Public Health Services	2,983	-	2,983
Leisure Time Activities	4,590	-	4,590
Community Environment	-	1,000	1,000
Basic Utility Services	1,775	-	1,775
Transportation	-	124,244	124,244
General Government	95,858	38,662	134,520
Capital Outlay	-	21,736	21,736
Debt Service:			
Principal Retirement	7,063	-	7,063
Interest and Fiscal Charges	592	-	592
	<u>113,003</u>	<u>300,552</u>	<u>413,555</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over Disbursements</i>	<u>41,598</u>	<u>16,393</u>	<u>57,991</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	7,467	-	7,467
Transfers In	-	20,000	20,000
Transfers Out	(20,000)	-	(20,000)
	<u>(12,533)</u>	<u>20,000</u>	<u>7,467</u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	29,065	36,393	65,458
<i>Fund Cash Balances, January 1</i>	<u>99,297</u>	<u>381,926</u>	<u>481,223</u>
Fund Cash Balances, December 31			
Restricted	-	418,158	418,158
Committed	-	161	161
Assigned	7,288	-	7,288
Unassigned	121,074	-	121,074
	<u>128,362</u>	<u>418,319</u>	<u>546,681</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 128,362</u>	<u>\$ 418,319</u>	<u>\$ 546,681</u>

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 876,570	\$ -	\$ 876,570
<i>Total Operating Cash Receipts</i>	<u>876,570</u>	<u>-</u>	<u>876,570</u>
Operating Cash Disbursements			
Personal Services	140,382	-	140,382
Employee Fringe Benefits	67,615	-	67,615
Contractual Services	213,433	-	213,433
Supplies and Materials	66,082	-	66,082
Other	47,613	-	47,613
<i>Total Operating Cash Disbursements</i>	<u>535,125</u>	<u>-</u>	<u>535,125</u>
<i>Operating Income</i>	<u>341,445</u>	<u>-</u>	<u>341,445</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	122,718	-	122,718
Other Debt Proceeds	4,878	-	4,878
Capital Outlay	(67,984)	-	(67,984)
Principal Retirement	(160,120)	-	(160,120)
Interest and Other Fiscal Charges	(8,992)	-	(8,992)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(109,500)</u>	<u>-</u>	<u>(109,500)</u>
<i>Income before Transfers</i>	231,945	-	231,945
Transfers In	172,069	-	172,069
Transfers Out	(172,069)	-	(172,069)
<i>Net Change in Fund Cash Balances</i>	231,945	-	231,945
<i>Fund Cash Balances, January 1</i>	<u>974,496</u>	<u>1,941</u>	<u>976,437</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,206,441</u>	<u>\$ 1,941</u>	<u>\$ 1,208,382</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, 2018**

Note 1 - Reporting Entity

The Village of Lynchburg, Highland County, (the Village) as a body politic and corporate established to exercise 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 government services, water, sewer, trash and storm sewer utilities, maintenance of Village roads and bridges, park operations and police services.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are 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 Construction, Maintenance, and Repair Fund – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing streets within the Village.

Street Construction Levy Fund – This fund receives tax money for construction, maintain and repairing Villages streets.

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

Police Levy Fund – The police levy fund accounts for and reports that portion of tax money for the operation of the Village's police force.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 – This fund receives charges for services from residents to cover water services to residents.

Sewer Fund – This fund receives charges for services from residents to cover sewer services to residents.

Trash Fund – This fund accounts for the provision of trash services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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. The Village's agency funds account for Mayor's Court and unclaimed monies. The Village does not have an active Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency 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.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 183,800	\$ 162,068	\$ (21,732)
Special Revenue	335,453	336,945	1,492
Enterprise	1,108,500	1,176,235	67,735
Total	\$ 1,627,753	\$ 1,675,248	\$ 47,495

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 165,702	\$ 140,291	\$ 25,411
Special Revenue	354,076	306,064	48,012
Enterprise	1,225,184	961,686	263,498
Total	\$ 1,744,962	\$ 1,408,041	\$ 336,921

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:

	2018
Demand Deposits	\$ 1,755,063
Total Deposits	\$ 1,755,063

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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.

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

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

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

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

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

	2018
Cash and Investments	<u>\$ 35,381,789</u>
Actuarial Liabilities	<u>\$ 12,965,015</u>

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 7 - Transfers

During 2018, the following transfers were made:

	Transfers - In	Transfers - Out
General Fund	\$ -	\$ (20,000)
Police Fund	20,000	-
Water Fund	-	(170,769)
Water Debt Service	170,769	-
Sewer Fund	-	(1,300)
Sewer Debt Service	1,300	-
	\$ 192,069	\$ (192,069)

All transfers were deemed to be appropriate and in compliance with the Ohio Revised Code.

Note 8 - 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, 2018.

Ohio Police and Fire Retirement System

Two 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 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, 2018.

Social Security

Two Village employees contributed to Social Security. Elected Officials choosing to opt out of contributing to OPERS also contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees 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, 2018.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 9 - 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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 - Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #3037	\$ 54,271	6.51%
OWDA #3038	1,467	6.72%
OWDA #4982	293,876	1.50%
OWDA #5268	597,185	0.00%
OWDA #6889	163,918	3.25%
OPWC #CO06K	65,839	0.00%
OPWC #CO18D	19,375	0.00%
OPWC #CT43L	14,950	0.00%
2016 Ford Explorer Police Cruiser	6,231	4.00%
Total	<u>\$ 1,217,112</u>	

The Ohio Water Development (OWDA) Loan #3037 relates to a water treatment plant loan. The OWDA approved up to \$704,270 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$28,895, including interest, over 25 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development (OWDA) Loan #3038 relates to a water treatment plant supplement loan. The OWDA approved up to \$18,712 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$783, including interest, over 25 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development (OWDA) Loan #4982 relates to a wastewater treatment plant improvement Phase I. The OWDA approved up to \$480,834 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$13,959, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development (OWDA) Loan #5268 relates to a wastewater treatment plant improvement Phase 2. The OWDA approved up to \$1,229,475 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$30,737, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. An amortization is not currently available for this loan.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 10 – Debt (Continued)

The Ohio Water Development (OWDA) Loan #6889 relates to a water distribution improvement project. The OWDA approved up to \$175,301 in loans to the Village for this project. The project is not fully drawn down as of December 31, 2016; therefore amortization and payment schedules have not yet been finalized. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) Loan #CO06K relates to the Sanitary Sewer Improvements at Glenavy. The OPWC approved up to \$114,500 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,862 with 0 percent interest over 20 years from Special Assessment receipts.

The Ohio Public Works Commission (OPWC) Loan #CO18D relates to the Water Tower Replacement Loan. The OPWC approved up to \$98,869 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,422 with 0 percent interest over 20 years from water receipts.

The Ohio Public Works Commission (OPWC) Loan #CT43L relates to a wastewater treatment plant improvement. The OPWC approved up to \$26,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$650 with 0 percent interest over 20 years from sewer receipts.

The Village signed a promissory note in February 2016 with Southern Hills Community Bank for the purchase of a police cruiser for \$34,000. Annual payments of \$7,655 will be made for a period of five years. Payments are scheduled to be made from the General Fund.

Year ending December 31:	OWDA 3037	OWDA 3038	OWDA 4982	OPWC CO06K
2019	\$ 56,428	\$ 1,526	\$ 27,918	\$ 5,724
2020	-	-	27,918	5,724
2021	-	-	27,918	5,724
2022	-	-	27,918	5,724
2023	-	-	27,918	5,724
2024-2028	-	-	139,590	28,620
2029-2033	-	-	55,836	8,599
Total	<u>\$ 56,428</u>	<u>\$ 1,526</u>	<u>\$ 335,016</u>	<u>\$ 65,839</u>

Year ending December 31:	OPWC CO18D	OPWC CT43L	2016 Police Cruiser
2019	\$ 4,844	\$ 1,300	\$ 7,655
2020	4,844	1,300	-
2021	4,844	1,300	-
2022	4,843	1,300	-
2023	-	1,300	-
2024-2028	-	6,500	-
2029-2033	-	1,950	-
Total	<u>\$ 19,375</u>	<u>\$ 14,950</u>	<u>\$ 7,655</u>

The amortization schedules for OWDA Loans #5268 and #6889 have not yet been completed.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 11 – Contingent Liabilities

The Village participates in several state assisted grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Village believes that disallowed claims, if any, will not have a material adverse effect on the Village's financial condition.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 46,826	\$ 194,457	\$ 241,283
Intergovernmental	88,322	90,652	178,974
Special Assessments	5	35,947	35,952
Charges for Services	35,000	-	35,000
Fines, Licenses and Permits	16,447	-	16,447
Earnings on Investments	712	161	873
Miscellaneous	10,309	-	10,309
<i>Total Cash Receipts</i>	<u>197,621</u>	<u>321,217</u>	<u>518,838</u>
Cash Disbursements			
Current:			
Security of Persons and Property	142	77,496	77,638
Public Health Services	14,099	-	14,099
Leisure Time Activities	5,938	-	5,938
Community Environment	-	775	775
Basic Utility Services	546	-	546
Transportation	-	120,673	120,673
General Government	98,929	38,448	137,377
Capital Outlay	-	475	475
Debt Service:			
Principal Retirement	12,384	-	12,384
Interest and Fiscal Charges	1,173	-	1,173
<i>Total Cash Disbursements</i>	<u>133,211</u>	<u>237,867</u>	<u>371,078</u>
<i>Net Change in Fund Cash Balances</i>	64,410	83,350	147,760
<i>Fund Cash Balances, January 1</i>	<u>34,887</u>	<u>298,576</u>	<u>333,463</u>
Fund Cash Balances, December 31			
Restricted	-	381,926	381,926
Assigned	702	-	702
Unassigned	98,595	-	98,595
<i>Fund Cash Balances, December 31</i>	<u>\$ 99,297</u>	<u>\$ 381,926</u>	<u>\$ 481,223</u>

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 863,672	\$ -	\$ 863,672
<i>Total Operating Cash Receipts</i>	<u>863,672</u>	<u>-</u>	<u>863,672</u>
Operating Cash Disbursements			
Personal Services	137,394	-	137,394
Employee Fringe Benefits	71,756	-	71,756
Contractual Services	186,739	-	186,739
Supplies and Materials	105,288	-	105,288
Other	36,609	-	36,609
<i>Total Operating Cash Disbursements</i>	<u>537,786</u>	<u>-</u>	<u>537,786</u>
<i>Operating Income</i>	<u>325,886</u>	<u>-</u>	<u>325,886</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	128,784	-	128,784
Other Debt Proceeds	5,244	-	5,244
Miscellaneous Receipts	3,872	-	3,872
Capital Outlay	(5,244)	-	(5,244)
Principal Retirement	(171,139)	-	(171,139)
Interest and Other Fiscal Charges	(11,397)	-	(11,397)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(49,880)</u>	<u>-</u>	<u>(49,880)</u>
<i>Income before Transfers</i>	276,006	-	276,006
Transfers In	60,000	-	60,000
Transfers Out	(60,000)	-	(60,000)
<i>Net Change in Fund Cash Balances</i>	276,006	-	276,006
<i>Fund Cash Balances, January 1</i>	<u>698,490</u>	<u>1,941</u>	<u>700,431</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 974,496</u>	<u>\$ 1,941</u>	<u>\$ 976,437</u>

The notes 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, 2017**

Note 1 - Reporting Entity

The Village of Lynchburg, Highland County, (the Village) as a body politic and corporate established to exercise 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 government services, water, sewer, trash and storm sewer utilities, maintenance of Village roads and bridges, park operations and police services.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are 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 Construction, Maintenance, and Repair Fund – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing streets within the Village.

Street Construction Levy Fund – This fund receives tax money for construction, maintain and repairing Villages streets.

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

Police Levy Fund – The police levy fund accounts for and reports that portion of tax money for the operation of the Village's police force.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 – This fund receives charges for services from residents to cover water services to residents.

Sewer Fund – This fund receives charges for services from residents to cover sewer services to residents.

Trash Fund – This fund accounts for the provision of trash services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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. The Village's agency funds account for Mayor's Court and unclaimed monies. The Village does not have an active Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency 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.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 147,700	\$ 197,621	\$ 49,921
Special Revenue	304,108	321,217	17,109
Enterprise	1,191,900	1,061,572	(130,328)
Total	\$ 1,643,708	\$ 1,580,410	\$ (63,298)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 172,183	\$ 133,913	\$ 38,270
Special Revenue	349,594	240,798	108,796
Enterprise	1,229,328	789,350	439,978
Total	\$ 1,751,105	\$ 1,164,061	\$ 587,044

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:

	2017
Demand Deposits	\$ 1,457,660
Total Deposits	\$ 1,457,660

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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.

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 6 - Risk Management (Continued)

At December 31, 2017 the liabilities above include approximately 11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u>
\$22,124

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 - Transfers

During 2017, the following transfers were made:

	<u>Transfers - In</u>	<u>Transfers - Out</u>
Water Fund	\$ -	\$ (60,000)
Water Debt Service	60,000	-
	<u>\$ 60,000</u>	<u>\$ (60,000)</u>

All transfers were deemed to be appropriate and in compliance with the Ohio Revised Code.

Note 8 - 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, 2017.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

Two 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 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, 2017.

Social Security

Two Village employees contributed to Social Security. Elected Officials choosing to opt out of contributing to OPERS also contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees 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, 2017.

Note 9 - 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 1 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 - Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #3037	\$ 105,212	6.51%
OWDA #3038	2,841	6.72%
OWDA #4982	317,123	1.50%
OWDA #5268	658,659	0.00%
OWDA #6889	170,254	3.25%
OPWC #CO06K	71,564	0.00%
OPWC #CO18D	24,218	0.00%
OPWC #CT43L	16,250	0.00%
2016 Ford Explorer Police Cruiser	13,296	4.00%
Total	<u>\$ 1,379,417</u>	

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Debt (Continued)

The Ohio Water Development (OWDA) Loan #3037 relates to a water treatment plant loan. The OWDA approved up to \$704,270 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$28,895, including interest, over 25 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development (OWDA) Loan #3038 relates to a water treatment plant supplement loan. The OWDA approved up to \$18,712 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$783, including interest, over 25 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development (OWDA) Loan #4982 relates to a wastewater treatment plant improvement Phase I. The OWDA approved up to \$480,834 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$13,959, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development (OWDA) Loan #5268 relates to a wastewater treatment plant improvement Phase 2. The OWDA approved up to \$1,229,475 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$30,737, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. An amortization is not currently available for this loan.

The Ohio Water Development (OWDA) Loan #6889 relates to a water distribution improvement project. The OWDA approved up to \$175,301 in loans to the Village for this project. The project is not fully drawn down as of December 31, 2016; therefore amortization and payment schedules have not yet been finalized. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) Loan #CO06K relates to the Sanitary Sewer Improvements at Glenavy. The OPWC approved up to \$114,500 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,862 with 0 percent interest over 20 years from Special Assessment receipts.

The Ohio Public Works Commission (OPWC) Loan #CO18D relates to the Water Tower Replacement Loan. The OPWC approved up to \$98,869 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,422 with 0 percent interest over 20 years from water receipts.

The Ohio Public Works Commission (OPWC) Loan #CT43L relates to a wastewater treatment plant improvement. The OPWC approved up to \$26,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$650 with 0 percent interest over 20 years from sewer receipts.

The Village signed a promissory note in February 2016 with Southern Hills Community Bank for the purchase of a police cruiser for \$34,000. Annual payments of \$7,655 will be made for a period of five years. Payments are scheduled to be made from the General Fund.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Debt (Continued)

The Village signed a promissory note in April 2014 with Southern Hills Community Bank for the purchase of a 2014 GMC Sierra Truck for \$29,443. Monthly payments of \$549.82 were made for a period of five years. Payments were made equally from the Water and Sewer Funds. The Village paid off this loan in 2017.

Amortization of the Village’s debt principal and interest is scheduled as follows:

Year ending December 31:	OWDA 3037	OWDA 3038	OWDA 4982	OPWC CO06K
2018	\$ 55,150	\$ 1,488	\$ 27,918	\$ 5,724
2019	56,428	1,526	27,918	5,724
2020	-	-	27,918	5,724
2021	-	-	27,918	5,724
2022	-	-	27,918	5,724
2023-2027	-	-	139,590	28,620
2028-2032	-	-	69,795	14,324
Total	<u>\$ 111,578</u>	<u>\$ 3,014</u>	<u>\$ 348,975</u>	<u>\$ 71,564</u>

Year ending December 31:	OPWC CO18D	OPWC CT43L	2016 Police Cruser
2018	\$ 4,844	\$ 1,300	\$ 7,655
2019	4,844	1,300	7,655
2020	4,844	1,300	-
2021	4,844	1,300	-
2022	4,842	1,300	-
2023-2027	-	6,500	-
2028-2032	-	3,250	-
Total	<u>\$ 24,218</u>	<u>\$ 16,250</u>	<u>\$ 15,310</u>

The amortization schedules for OWDA Loans #5268 and #6889 have not yet been completed.

Note 11 – Contingent Liabilities

The Village participates in several state assisted grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Village believes that disallowed claims, if any, will not have a material adverse effect on the Village’s financial condition.



Certified Public Accountants, A.C.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

September 30, 2019

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Lynchburg**, Highland County (the Village) as of and for the year ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 30, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2018-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*. Footnote disclosures should be accurate based on underlying source documentation and governmental accounting standards.

During 2018 and 2017, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Sale of Village assets was classified as Miscellaneous instead of Sale of Capital Assets in 2018;
- Charges for Services receipts were classified as Transfers In in 2018;
- Loan activity was not properly recorded or classified in 2018 and 2017;
- Permissive Tax receipts were not properly classified or posted in 2018 and 2017; and
- Outstanding encumbrances in the General Fund were improperly classified as Unassigned instead of Assigned in 2018 and 2017;

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring an adjustment and reclassifications. The Village has made the adjustments to its accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues, expenditures and fund balances are properly identified and classified on the financial statements.

We also recommend the Village refer to the Ohio Village Handbook and/or Auditor of State resources for guidance to determine proper establishment of receipt and disbursement accounts, posting of receipts and disbursements and annual financial reporting. We also recommend the Village refer to AOS Bulletin 2011-004 for assistance in classifying fund balances.

Officials' Response: We did not receive a response from Officials to this finding.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Reporting	Not Corrected	Repeated as Finding 2018-001
2016-002	Credit Cards	Corrected	None
2016-003	Segregation of Duties and Internal Controls	Corrected	None
2016-004	Ohio Revised Code Section 5705.39	Not Corrected	Partially Corrected, Moved to Management Letter
2016-005	Ohio Revised Code Section 5705.41(B)	Not Corrected	Partially Corrected, Moved to Management Letter
2016-006	Ohio Revised Code Section 5705.41(D)	Not Corrected	Partially Corrected, Moved to Management Letter
2016-007	Ohio Revised Code Section 117.103(B)(1)	Corrected	None
2016-008	Ohio Revised Code Section 5705.10	Corrected	None
2016-009	Severance Payout	Corrected	None

OHIO AUDITOR OF STATE
KEITH FABER



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
NOVEMBER 26, 2019**