



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Lynchburg, Highland County, Ohio (the Village).

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.

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, 2020 and 2019, and the respective 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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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 Matters

As discussed in Note 13 to the 2020 financial statements and Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio
October 20, 2021

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Village of Lynchburg, Ohio
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, 2020

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$50,377	\$197,962	\$248,339
Intergovernmental	43,775	231,579	275,354
Special Assessments	382	34,652	35,034
Charges for Services	26,605	0	26,605
Fines, Licenses and Permits	17,896	365	18,261
Miscellaneous	3,438	13,771	17,209
<i>Total Cash Receipts</i>	<u>142,473</u>	<u>478,329</u>	<u>620,802</u>
Cash Disbursements			
Current:			
Security of Persons and Property	2,245	146,752	148,997
Public Health Services	26,340	0	26,340
Leisure Time Activities	10,920	0	10,920
Basic Utility Services	1,458	82,845	84,303
Transportation	0	89,774	89,774
General Government	118,564	42,869	161,433
Capital Outlay	0	178	178
<i>Total Cash Disbursements</i>	<u>159,527</u>	<u>362,418</u>	<u>521,945</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,054)</u>	<u>115,911</u>	<u>98,857</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	22,000		22,000
Transfers In		4,113	4,113
Transfers Out		(4,113)	(4,113)
Other Financing Sources	81		81
Other Financing Uses	(126)		(126)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>21,955</u>	<u>0</u>	<u>21,955</u>
<i>Net Change in Fund Cash Balances</i>	4,901	115,911	120,812
<i>Fund Cash Balances, January 1</i>	<u>143,180</u>	<u>469,762</u>	<u>612,942</u>
<i>Fund Cash Balances, December 31</i>	<u>\$148,081</u>	<u>\$585,673</u>	<u>\$733,754</u>

See accompanying notes to the basic financial statements

Village of Lynchburg, Ohio

Highland County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Proprietary Fund Types

For the Year Ended December 31, 2020

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$797,390</u>
<i>Total Operating Cash Receipts</i>	<u>797,390</u>
Operating Cash Disbursements	
Personal Services	128,969
Employee Fringe Benefits	65,577
Contractual Services	236,970
Supplies and Materials	125,958
Other	<u>33,792</u>
<i>Total Operating Cash Disbursements</i>	<u>591,266</u>
<i>Operating Income (Loss)</i>	<u>206,124</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	126,720
Miscellaneous Receipts	13,969
Principal Retirement	(60,625)
Interest and Other Fiscal Charges	(3,965)
Other Financing Uses	<u>(1,131)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>74,968</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	281,092
Transfers In	2,422
Transfers Out	<u>(2,422)</u>
<i>Net Change in Fund Cash Balances</i>	281,092
<i>Fund Cash Balances, January 1</i>	<u>1,146,767</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,427,859</u></u>

See accompanying notes to the basic financial statements

Village of Lynchburg, Ohio
Highland County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Custodial
	Other Custodial
Additions	\$0
Deductions	0
<i>Net Change in Fund Balances</i>	0
<i>Fund Cash Balances, January 1</i>	148
<i>Fund Cash Balances, December 31</i>	<u>\$148</u>

See accompanying notes to the basic financial statements

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Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The Village of Lynchburg (the Village), Highland County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council directs the Village. The Village provides general 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 these entities. 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Construction Levy Fund This fund receives tax money for construction, maintenance and repair of Village streets.

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.

Police Salary Levy Fund The police salary levy fund accounts for and reports that portion of tax money for the salary portion of operating cost of the Village's police force.

Coronavirus Special Relief Fund –Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act. These federal relief funds are restricted and can only be used on expenses

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

that: directly relate to COVID-19, are not already accounted for in the budget approved before March 27, and were incurred this year. On December 31, 2021, any unused funds will be reverted.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds - Fiduciary funds include custodial funds. Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village custodial funds accounts for Mayor's Court and unclaimed monies. The Village does not have an active Mayors Court.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (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.

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

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

be re-appropriated. Encumbrances outstanding at year-end are canceled, and re-appropriated in the subsequent year.

A summary of 2020 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 *non-spendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned -Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budget vs. Actual Receipts:			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$144,170	\$164,544	\$20,374
Special Revenue	469,303	482,442	13,139
Enterprise	1,058,050	940,501	(117,549)
Total	\$1,671,523	\$1,587,487	(\$84,036)
2020 Budget vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$217,123	\$163,305	\$53,818
Special Revenue	563,367	377,039	186,328
Enterprise	1,103,600	670,544	433,056
Total	\$1,884,090	\$1,210,888	\$673,202

Note 4 – Deposits and Investments

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

	2020
Demand Deposits	\$ 2,161,761
Total Deposits	<u>2,161,761</u>

Deposits

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

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 these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a salary. 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.

Risk Pool Membership

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

- General liability and casualty
- 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:

	<u>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,510

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All but two 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, 2020.

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Ohio Police and Fire Retirement System

Two full time police officer belongs 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, 2020.

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, 2020.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed 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 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan # CT43L	\$ 13,000	0.0%
Ohio Public Works Commission Loan # CO18D	12,110	0.0%
Ohio Public Works Commission Loan #CO06K	57,250	0.0%
Ohio Water Development Authority Loan #4982	246,327	1.5%
Ohio Water Development Authority Loan # 5268	504,974	0.0%
Total	\$ 833,661	

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, with final payment being made June 2030.

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, with final payment being made in January 2023.

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, with final payment being made in June 2030.

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, with final payment being due in January 2030. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are currently being paid through Special Assessment Receipts.

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, of this only \$1,508,238 has been drawn down. The Village will repay the loans in semiannual installments of \$30,737, including interest, over 20 years, with final payment being due January 2031. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are currently being paid through Special Assessment Receipts. An amortization schedule is not currently available for this loan.

During 2020, the village opted to use the Ohio Public Works Commission COVID payment deferment. This resulted in the following loans extending their life by 6 months at 0% percent interest: Loan # CO06K, Loan # CO18D, Loan # CT43L

Amortization

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

Year Ending December 31:	OPWC #CT43L	OPWC #CO18D	OPWC #CO06K	OWDA #4982
2021	\$1,300	\$4,844	\$5,724	\$27,918
2022	1,300	4,844	5,724	27,918
2023	1,300	2,422	5,724	27,918
2024	1,300	0	5,724	27,918
2025	1,300	0	5,724	27,918
2026-2030	6,500	0	28,630	139,590
Total	<u>\$13,000</u>	<u>\$12,110</u>	<u>\$57,250</u>	<u>\$279,180</u>

Note 11 – Contingent Liabilities

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

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Nonspendable:			
Unclaimed Monies	\$1,914	\$0	\$ 1,914
Outstanding Encumbrances	3,652	10,508	14,160
<i>Total</i>	<u>\$5,566</u>	<u>\$10,508</u>	<u>\$16,074</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service, and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Village of Lynchburg, Ohio*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, 2019*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$51,349	\$205,809	\$257,158
Intergovernmental	40,962	103,599	144,561
Special Assessments	1,326	36,959	38,285
Charges for Services	26,340	0	26,340
Fines, Licenses and Permits	35,144	0	35,144
Miscellaneous	2,148	811	2,959
<i>Total Cash Receipts</i>	<u>157,269</u>	<u>347,178</u>	<u>504,447</u>
Cash Disbursements			
Current:			
Security of Persons and Property	157	152,980	153,137
Public Health Services	6,030	0	6,030
Leisure Time Activities	3,160	0	3,160
Basic Utility Services	1,503	0	1,503
Transportation	0	118,191	118,191
General Government	106,826	41,544	148,370
Capital Outlay	0	3,020	3,020
Debt Service:			
Principal Retirement	6,231	0	6,231
Interest and Fiscal Charges	256	0	256
<i>Total Cash Disbursements</i>	<u>124,163</u>	<u>315,735</u>	<u>439,898</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,106</u>	<u>31,443</u>	<u>64,549</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	20,000	20,000
Transfers Out	(20,000)	0	(20,000)
Other Financing Uses	(81)	0	(81)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,081)</u>	<u>20,000</u>	<u>(81)</u>
<i>Net Change in Fund Cash Balances</i>	13,025	51,443	64,468
<i>Fund Cash Balances, January 1, as restated - see Note 1</i>	<u>130,155</u>	<u>418,319</u>	<u>548,474</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$143,180</u></u>	<u><u>\$469,762</u></u>	<u><u>\$612,942</u></u>

See accompanying notes to the basic financial statements

Village of Lynchburg, Ohio*Highland County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary Fund Types**For the Year Ended December 31, 2019*

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$836,434
Miscellaneous	1,231
<i>Total Operating Cash Receipts</i>	<u>837,665</u>
Operating Cash Disbursements	
Personal Services	165,547
Employee Fringe Benefits	109,936
Contractual Services	244,146
Supplies and Materials	121,636
Other	59,741
<i>Total Operating Cash Disbursements</i>	<u>701,006</u>
<i>Operating Income (Loss)</i>	<u>136,659</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	131,160
Capital Outlay	(2,400)
Principal Retirement	(318,557)
Interest and Other Fiscal Charges	(6,536)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(196,333)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(59,674)
Transfers In	129,000
Transfers Out	(129,000)
<i>Net Change in Fund Cash Balances</i>	(59,674)
<i>Fund Cash Balances, January 1</i>	<u>1,206,441</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,146,767</u></u>

See accompanying notes to the basic financial statements

Village of Lynchburg, Ohio
Highland County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2019

	Fiduciary Fund Types
	Other Custodial
Additions	0
Deductions	0
<i>Net Change in Fund Balances</i>	0
<i>Fund Cash Balances, January 1, as restated see Note 10</i>	148
<i>Fund Cash Balances, December 31</i>	<u>\$148</u>
<i>See accompanying notes to the basic financial statements</i>	

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Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Lynchburg (the Village), Highland County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general 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 these entities. 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Construction Levy Fund This fund receives tax money for construction, maintenance and repair of Village streets.

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.

Police Salary Levy Fund The police salary levy fund accounts for and reports that portion of tax money for the salary portion of operating cost of the Village's police force.

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include 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 Mayors 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.

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2- Summary of Significant Accounting Policies (Continued)

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.

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.

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budget vs. Actual Receipts:			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$839,250	\$157,269	(\$681,981)
Special Revenue	382,575	367,178	(15,397)
Enterprise	1,302,750	1,097,825	(204,925)
Total	\$2,524,575	\$1,622,272	(\$902,303)
2019 Budget vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$846,538	\$149,081	\$697,457
Special Revenue	423,557	323,029	100,528
Enterprise	1,438,397	1,172,155	266,242
Total	\$2,708,492	\$1,644,265	\$1,064,227

Note 4 – Deposits and Investments

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

	2019
Demand Deposits	\$ 1,759,857
Total Deposits	<u>1,759,857</u>

Deposits

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

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 - Risk Management

Worker's Compensation

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

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:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All but two 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, 2019.

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, 2019.

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contributions to fund these benefits, and 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 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan # CT43L	\$ 13,650	0.0%
Ohio Public Works Commission Loan # CO18D	14,532	0.0%
Ohio Public Works Commission Loan #CO06K	60,115	0.0%
Ohio Water Development Authority Loan #4982	270,279	1.5%
Ohio Water Development Authority Loan # 5268	535,711	0.0%
Total	\$ 894,287	

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, with final payment being made January 2030.

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, with final payment being made in June 2022.

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, with final payment being made in January 2030.

Village of Lynchburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, with final payment being due in January 2030. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are currently being paid through Special Assessment Receipts.

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, of this only \$1,508,238 has been drawn down. The Village will repay the loans in semiannual installments of \$30,737, including interest, over 20 years, with final payment being due January 2031. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are currently being paid through Special Assessment Receipts. An amortization schedule is not currently available for this loan.

Amortization

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

Year Ending December 31:	OPWC #CT43L	OPWC #CO18D	OPWC #CO06K	OWDA #4982
2020	\$1,300	\$4,844	\$5,724	\$27,918
2021	1,300	4,844	5,724	27,918
2022	1,300	4,844	5,724	27,918
2023	1,300	0	5,724	27,918
2024	1,300	0	5,724	27,918
2025-2029	6,500	0	28,620	139,590
2030	650	0	2,875	27,918
Total	<u>\$13,650</u>	<u>\$14,532</u>	<u>\$60,115</u>	<u>\$307,098</u>

Note 10- Restatement of Fund Balances

The Village's fund cash balances at January 1, 2019 have been restated for correction of fund mapping of Unclaimed Monies fund. This adjustment resulted in the following changes in fund balances at January 1, 2019:

	General Fund	Fiduciary (Agency) Funds
Fund Balance at December 31, 2018 as previously Reported	\$ 128,362	\$ 1,941
Repayment of Prior Finding For Adjustment	<u>1,793</u>	<u>(1,793)</u>
Fund Balance January 1, 2019 as Restated	<u>\$ 130,155</u>	<u>\$ 148</u>

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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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

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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Lynchburg, Highland County, (the Village) and have issued our report thereon dated October 20, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

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 financial statements. 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
October 20, 2021

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to deficiencies in the Village's financial statement monitoring and review process, the following conditions were noted in relation to the 2020 reporting:

General Fund:

- Charges for Services were understated and Transfers In were overstated by \$26,000.
- Special Items were overstated and Sale of Capital Assets were understated by \$22,000.
- Advances In and Transfer Out were overstated by \$32,026.
- Additional immaterial errors ranging from \$3-\$377 were identified and corrected.

Special Revenue Fund:

- Transfers In and Advances Out were overstated by \$32,026.
- Additional immaterial errors ranging from \$8-\$7,191 were identified and corrected.

Enterprise Fund

- Contractual Services were understated and Transfers Out were overstated by \$26,000.
- Charges for Services was understated by \$25,864, Special Assessments was overstated by \$25,358 and Debt Proceeds was overstated by \$506.
- Additional immaterial errors ranging from \$1-\$13,959 were identified and corrected.

Custodial Fund

- Unclaimed funds was not mapped to General fund, resulting in fund balance being overstated by \$1,914 and Other Amounts Collected for Distributions being overstated by \$121.

Due to deficiencies in the Village's financial statement monitoring and review process, the following conditions were noted in relation to the 2019 reporting:

General Fund:

- Fines, Licenses and Permits was understated and Miscellaneous was overstated by \$16,130.

FINDING NUMBER 2020-001
(Continued)

- Transfers In were overstated by \$21,000.
- Additional immaterial errors ranging from \$256 -\$6,487 were identified and corrected.

Special Revenue Fund:

- Immaterial errors ranging from \$399- \$7,408 were identified and corrected.

Enterprise Fund

- Transfers Out were overstated by \$21,000.
- Charges for Services was understated by \$67,349, Special Assessments was overstated by \$17,506 and Debt Proceeds was overstated by \$49,843.
- Additional immaterial errors ranging from \$768-\$1,231 were identified and corrected.

Custodial Fund

- Unclaimed funds was not mapped to General fund, resulting in fund balance being overstated by \$1,793.

The Village corrected the financial statements and their accounting system, where applicable, for all identified errors.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which affect the overall available cash position of the Village.

The Village should accurately record financial transactions.

Officials' Response:

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

FINDING NUMBER 2020-002

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

**FINDING NUMBER 2020-002
(Continued)**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following conditions were noted in 2020:

- Special Revenue Fund Budgeted Receipts were \$3,606 higher in the accounting system than the amount approved;
- Enterprise Fund Budgeted receipts were \$10,000 higher in the accounting system than the amount approved;
- Special Revenue Fund Appropriations were \$2,468 higher in the accounting system than the amount approved.

The following conditions were noted in 2019:

- Special Revenue Fund Budgeted Receipts were \$3,019 lower in the accounting system than the amount approved;
- Enterprise Fund Budgeted Receipts were \$110,000 lower in the accounting system than the amount approved;
- Special Revenue Fund Appropriations were \$14,830 higher in the accounting system than the amount approved;
- Enterprise Fund Appropriations were \$50,450 higher in the accounting system than the amount approved.

Budgetary Footnotes were found to be inaccurate by the amounts noted above. Additionally, we found the following errors related to the amounts reported in the budgetary footnotes.

In 2020, the Budgetary Appropriations reported in the Budgetary footnote did not include prior year carryover appropriations. This resulted in the amounts included in the footnote being understated by the following amounts:

- General Fund: \$4,837
- Special Revenue Funds: \$7,294
- Enterprise Funds: \$14,656

In 2020, the Coronavirus Relief Fund Estimated Receipts of \$112,083 were not included in the Budgeted Receipts presentation.

In 2020, the Actual Receipts reported in the Budgetary footnote did not include Other Financing Receipts. This resulted in the amounts in the footnote being understated by the following amounts:

**FINDING NUMBER 2020-002
(Continued)**

- General Fund: \$58,107
- Special Revenue Funds: \$36,139
- Enterprise Funds: \$2,422

In 2020, the Budgetary Expenditures reported in the Budgetary footnote did not include outstanding encumbrances. This resulted in the amounts in the footnote being understated by the following amounts:

- General Fund: \$3,653
- Special Revenue Funds: \$10,508
- Enterprise Funds: \$11,138

In 2019 the Budgetary Appropriations reported in the Budgetary footnote did not include prior year carryover appropriations. This resulted in the amounts in the footnote being understated by the following amounts:

- General Fund: \$7,288
- Special Revenue Funds: \$5,512
- Enterprise Funds: \$17,397

In 2019, the Budgetary Expenditures reported in the Budgetary footnote did not include outstanding encumbrances and additionally were misstated by other unknown causes. This resulted in the amounts included in the footnote being understated by the following amounts:

- General Fund: \$6,757
- Special Revenue Funds: \$3,468
- Enterprise Funds: \$13,004

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system and notes to the financial statements. The appropriations and amendments thereof approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources and amendments thereof were not posted to the accounting system. Further, amending resolutions did not state the amounts and accounts being amended.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

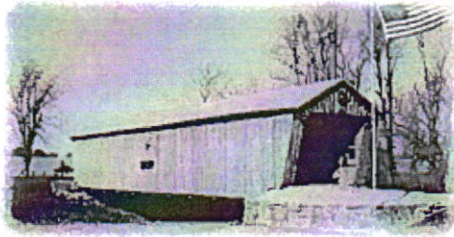
Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

**FINDING NUMBER 2020-002
(Continued)**

Officials' Response:

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

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Village of Lynchburg
155 S. Main St. PO Box 402
Lynchburg, Ohio 45142
937-364-2241

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Financial Reporting	Not Corrected.	Reissued as Finding 2020-001

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LYNCHBURG

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/9/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov