



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Lynchburg, Highland County, Ohio (the Village), which comprises 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 years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying 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 years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio
December 7, 2023

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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, 2022

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$59,392	\$210,994	\$270,386
Intergovernmental	53,874	308,303	362,177
Special Assessments	29	36,514	36,543
Charges for Services	26,000	215	26,215
Fines, Licenses and Permits	17,888	3	17,891
Miscellaneous	52,010	62,230	114,240
<i>Total Cash Receipts</i>	<u>209,193</u>	<u>618,259</u>	<u>827,452</u>
Cash Disbursements			
Current:			
Security of Persons and Property	38,794	106,298	145,092
Public Health Services	3,563	0	3,563
Leisure Time Activities	4,340	402	4,742
Basic Utility Services	3,044	3,643	6,687
Transportation	190	227,279	227,469
General Government	74,159	117,782	191,941
Capital Outlay	0	109,892	109,892
<i>Total Cash Disbursements</i>	<u>124,090</u>	<u>565,296</u>	<u>689,386</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>85,103</u>	<u>52,963</u>	<u>138,066</u>
Other Financing Receipts (Disbursements)			
Transfers In	1,868	0	1,868
Transfers Out	0	(1,868)	(1,868)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,868</u>	<u>(1,868)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	86,971	51,095	138,066
<i>Fund Cash Balances, January 1</i>	<u>151,035</u>	<u>721,967</u>	<u>873,002</u>
<i>Fund Cash Balances, December 31</i>	<u>\$238,006</u>	<u>\$773,062</u>	<u>\$1,011,068</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, 2022

	Enterprise
Operating Cash Receipts	
Charges for Services	\$803,864
<i>Total Operating Cash Receipts</i>	803,864
Operating Cash Disbursements	
Personal Services	113,414
Employee Fringe Benefits	65,929
Contractual Services	315,100
Supplies and Materials	134,907
Other	9,654
<i>Total Operating Cash Disbursements</i>	639,004
<i>Operating Income (Loss)</i>	164,860
Non-Operating Receipts (Disbursements)	
Special Assessments	128,093
Miscellaneous Receipts	294
Principal Retirement	(89,459)
Interest and Other Fiscal Charges	(3,238)
Other Financing Sources	8,222
<i>Total Non-Operating Receipts (Disbursements)</i>	43,912
<i>Income (Loss) before Transfers</i>	208,772
Transfers In	4,843
Transfers Out	(4,843)
<i>Net Change in Fund Cash Balances</i>	208,772
<i>Fund Cash Balances, January 1</i>	1,715,835
<i>Fund Cash Balances, December 31</i>	\$1,924,607

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, 2022

	Other Custodial
Additions	0
Deductions	
Other Distributions	148
<i>Total Deductions</i>	148
<i>Net Change in Fund Balances</i>	(148)
<i>Fund Cash Balances, January 1</i>	148
<i>Fund Cash Balances, December 31</i>	\$0

See accompanying notes to the basic financial statements

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

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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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.

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

Police Levy Fund The police levy funds 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.

American Rescue Plan Act COVID Fiscal Recovery Fund – The American Rescue Plan Act is an economic COVID-19 stimulus package signed into law on March 11, 2021. These funds are to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, & businesses. Allowable uses include replacement of lost revenue negative economic impact, premium pay for essential workers, and broad investments in water, sewer, or broadband infrastructure. These funds are carefully monitored and documented.

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.

Storm Sewer Fund Received through special assessments to property taxes and distributed by the County Auditor.

Trash Fund Receive funds through charges for services from residents to cover the trash services to residents.

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’s custodial funds account for Mayors 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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a

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

Note 2 – Summary of Significant Accounting Policies (continued)

liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial 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 canceled, and reappropriated in the subsequent year.

A summary of 2022 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:

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

Note 2 – Summary of Significant Accounting Policies (continued)

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

Assigned 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 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 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$210,710	\$211,061	\$351
Special Revenue	687,343	618,259	(69,084)
Enterprise	945,775	945,316	(459)
Total	<u>\$1,843,828</u>	<u>\$1,774,636</u>	<u>(\$69,192)</u>

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

Note 3 – Budgetary Activity (continued)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$225,245	\$125,606	\$99,639
Special Revenue	964,060	569,294	394,766
Enterprise	1,377,191	739,623	637,568
Total	\$2,566,496	\$1,434,523	\$1,131,973

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

	2022
Demand deposits	\$2,935,675
Total deposits	2,935,675

Deposits

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

At December 31, 2022, \$25,736 of deposits were not insured or collateralized, contrary to Ohio law.

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

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 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.

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

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

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 rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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
- Public Official's liability
- Cyber
- Law enforcement liability
- Automotive liability
- Vehicles
- Property
- Equipment Breakdown

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

	<u>2022</u>
Cash and investments	\$42,310,794
Actuarial liabilities	\$15,724,479

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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Ohio Police and Fire Retirement System

Two full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2022.

Social Security

Elected Officials choosing to opt out of contributing to OPERS contributed 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, 2022.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

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

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

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission #CT43L	\$ 10,400	0.0%
Ohio Public Works Commission #CO18D	2,423	0.0%
Ohio Public Works Commission #CO06K	45,800	0.0%
Ohio Water Development Authority Loan #4982	197,334	1.5%
Ohio Water Development Authority Loan #5268	449,571	0.0%
Southern Hills Community Bank	243,890	3.5%
Total	<u>\$ 949,418</u>	

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

Note 9 – Debt (continued)

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 the final payment being made *June 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 the 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 *June 2030*.

The Ohio Water Development (OWDA) Loan #4982 relates to a wastewater treatment plant improvement Phase 1. 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 the 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. The Village will repay the loans in semiannual installments of \$30,737, over 20 years, with the 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.

The Southern Hills Community Bank Loan relates to the Covered Bridge Rehabilitation Project. This is a line of credit required to be held by the Village during the length of the project. The Village plans to pay the loan off at the completion of the project in early 2023. An amortization 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 #5268	OWDA #4982
2022	\$1,300	\$2,423	\$5,725	\$52,912	\$27,917
2023	1,300	0	5,725	52,912	27,917
2024	1,300	0	5,725	52,912	27,917
2025	1,300	0	5,725	52,912	27,917
2026	1,300	0	5,725	52,912	27,917
2027-2031	3,900	0	17,175	185,191	69,795
Total	<u>\$10,400</u>	<u>\$2,423</u>	<u>\$45,800</u>	<u>\$449,751</u>	<u>\$209,380</u>

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

Note 10 – 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.

Note 11 – 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	\$1,943	\$0	1,943
Outstanding Encumbrances	1,516	2,130	3,646
<i>Total</i>	\$3,459	\$2,130	\$5,589

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 12 – 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. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. 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 funding, either federal or state, cannot be estimated.

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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, 2021

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$51,087	\$206,267	\$257,354
Intergovernmental	48,155	198,426	246,581
Special Assessments	1,863	40,380	42,243
Charges for Services	26,000	0	26,000
Fines, Licenses and Permits	18,777	1,049	19,826
Miscellaneous	23,351	5	23,356
<i>Total Cash Receipts</i>	<u>169,233</u>	<u>446,127</u>	<u>615,360</u>
Cash Disbursements			
Current:			
Security of Persons and Property	3,133	150,549	153,682
Public Health Services	18,215	997	19,212
Leisure Time Activities	2,851	242,656	245,507
Community Environment	0	30	30
Basic Utility Services	5,710	29,211	34,921
Transportation	20	111,092	111,112
General Government	116,350	39,186	155,536
Capital Outlay	<u>0</u>	<u>2</u>	<u>2</u>
<i>Total Cash Disbursements</i>	<u>146,279</u>	<u>573,723</u>	<u>720,002</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>22,954</u>	<u>(127,596)</u>	<u>(104,642)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	0	243,890	243,890
Transfers In	0	20,000	20,000
Transfers Out	<u>(20,000)</u>	<u>0</u>	<u>(20,000)</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,000)</u>	<u>263,890</u>	<u>243,890</u>
<i>Net Change in Fund Cash Balances</i>	2,954	136,294	139,248
<i>Fund Cash Balances, January 1</i>	<u>148,081</u>	<u>585,673</u>	<u>733,754</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$151,035</u></u>	<u><u>\$721,967</u></u>	<u><u>\$873,002</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, 2021

	Enterprise
Operating Cash Receipts	
Charges for Services	\$807,056
<i>Total Operating Cash Receipts</i>	807,056
Operating Cash Disbursements	
Personal Services	100,450
Employee Fringe Benefits	45,015
Contractual Services	263,285
Supplies and Materials	186,893
Other	26,352
<i>Total Operating Cash Disbursements</i>	621,995
<i>Operating Income (Loss)</i>	185,061
Non-Operating Receipts (Disbursements)	
Special Assessments	145,011
Principal Retirement	(38,492)
Interest and Other Fiscal Charges	(3,604)
<i>Total Non-Operating Receipts (Disbursements)</i>	102,915
<i>Income (Loss) before Transfers</i>	287,976
Transfers In	4,705
Transfers Out	(4,705)
<i>Net Change in Fund Cash Balances</i>	287,976
<i>Fund Cash Balances, January 1</i>	1,427,859
<i>Fund Cash Balances, December 31</i>	\$1,715,835

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, 2021

	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>	\$148

See accompanying notes to the basic financial statements

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Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all 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 repairs of Village 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.

Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Police Levy Fund The police levy funds 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.

American Rescue Plan Act – COVID Fiscal Recovery Fund – The American Rescue Plan Act is an economic COVID-19 stimulus package signed into law on March 11, 2021. These funds are to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, & businesses. Allowable uses include replacement of lost revenue negative economic impact, premium pay for essential workers, and broad investments in water, sewer, or broadband infrastructure. These funds are carefully tracked and documented.

Covered Bridge Fund – The Covered Bridge fund accounts for and reports the debt proceeds and expenditures related to the Village’s Covered Bridge project.

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.

Storm Sewer Fund Received through special assessments to property taxes and distributed by the County Auditor.

Trash Fund Received funds through charges for services from residents to cover the trash services to residents

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’s custodial funds account for Mayors 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 (C). This basis is

Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial 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 canceled, and reappropriated in the subsequent year.

A summary of 2021 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:

Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

Assigned 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 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 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,030	\$169,233	\$13,203
Special Revenue	628,173	710,017	81,844
Enterprise	890,950	956,772	65,822
Total	<u>\$1,675,153</u>	<u>\$1,836,022</u>	<u>\$160,869</u>

Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Budgetary Activity (continued)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$225,277	\$166,892	\$58,385
Special Revenue	713,461	576,225	137,236
Enterprise	1,226,690	670,958	555,732
Total	\$2,165,428	\$1,414,075	\$751,353

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

	2021
Demand deposits	\$2,588,985
Total deposits	2,588,985

Deposits

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

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

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 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.

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

Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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
- Automotive 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>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

Two full time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 7 – Defined Benefit Pension Plans (continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2021.

Social Security

Elected Officials choosing to opt out of contributing to OPERS contributed 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, 2021.

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. 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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

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

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission #CT43L	\$ 11,700	0.0%
Ohio Public Works Commission #CO18D	7,267	0.0%
Ohio Public Works Commission #CO06K	51,525	0.0%
Ohio Water Development Authority Loan #4982	222,013	1.5%
Ohio Water Development Authority Loan #5268	502,663	0.0%
Southern Hills Community Bank	243,890	3.5%
Total	<u>\$ 1,039,058</u>	

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 the final payment being made *June 2030*.

Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt (continued)

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 the 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 *June 2030*.

The Ohio Water Development (OWDA) Loan #4982 relates to a wastewater treatment plant improvement Phase 1. 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 the 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. The Village will repay the loans in semiannual installments of \$30,737, over 20 years, with the 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.

The Southern Hills Community Bank Loan relates to the Covered Bridge Rehabilitation Project. This is a line of credit required to be held by the Village during the length of the project. The Village plans to pay the loan off at the completion of the project in early 2023. An amortization 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 #5268	OWDA #4982
2022	\$1,300	\$4,844	\$5,725	\$52,912	\$27,917
2023	1,300	2,423	5,725	52,912	27,917
2024	1,300	0	5,725	52,912	27,917
2025	1,300	0	5,725	52,912	27,917
2026	1,300	0	5,725	52,912	27,917
2027-2031	5,200	0	22,900	238,103	97,713
Total	<u>\$11,700</u>	<u>\$7,267</u>	<u>\$51,525</u>	<u>\$502,663</u>	<u>\$237,298</u>

Village of Lynchburg, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – 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.

Note 11 – 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	613	2,502	3,115
<i>Total</i>	<u>\$2,527</u>	<u>\$2,502</u>	<u>\$5,029</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 12 – 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.

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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 years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Lynchburg, Highland County, (the Village) and have issued our report thereon dated December 7, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
December 7, 2023

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

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

FINDING NUMBER 2022-001

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 Village's 2022 accounting system:

General Fund:

- Other Financing Sources were overstated, and Miscellaneous Receipts were understated in the amount of \$49,967 due to the Village recording Covered Bridge reimbursement funds as Other Financing Sources.

Special Revenue Fund:

- Intergovernmental Receipts and Capital Outlay Disbursements were understated by \$109,892 in the Covered Bridge fund due to the lack of separate accountability of an ODOT Covered Bridge Grant.

Other Custodial Funds:

- Beginning and Ending Balance were overstated in the amount of \$1,914 in the Unclaimed Monies Fund as these funds should be included in the General Fund for reporting purposes.

Due to deficiencies in the Village's financial statement monitoring and review process, the following conditions were noted in relation to the Village's 2021 accounting system:

General Fund:

- Intergovernmental Receipts were overstated and Miscellaneous Receipts were understated in the amount of \$10,500 due to sale of abatement property being recorded incorrectly.

Special Revenue Fund:

- Budgeted Receipts were overstated in the amount of \$67,390 in the Budgetary Activity Footnote due to the Village not including debt proceeds in the Amended Certificate.
- Appropriation Authority was overstated in the amount of \$95,640 in the Budgetary Activity Footnote due to the appropriations approved by Council being less than the appropriations posted in the accounting system.

The Village corrected the financial statements and their accounting system, where applicable, for all identified errors. In addition to the adjustments listed above, we also identified additional misstatements ranging from \$192 to \$13,958 that the Village also corrected.

**FINDING NUMBER 2022-001
 (Continued)**

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 review and implement internal controls to ensure financial transactions are accurately recorded and reported.

Officials' Response:

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

FINDING NUMBER 2022-002

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.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow 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 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.

Due to deficiencies in the Village's budgetary monitoring and review process, the following conditions were noted:

2021	Special Revenue
UAN Appropriations	\$ 809,101
Approved Appropriations	713,461
Variance with System	\$ 95,640
UAN Estimated Receipts	\$ 695,563
Approved Estimated Receipts	628,173
Variance with System	\$ 67,390

**FINDING NUMBER 2022-002
(Continued)**

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations and amendments thereof posted to the accounting system were not approved by Council properly. Additionally, the approved Certificate of Estimated Resources was not properly reflected in the accounting system.

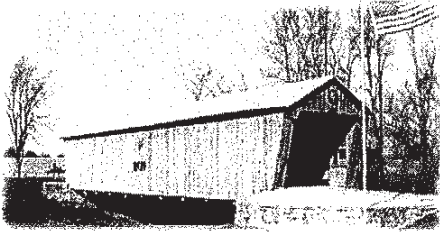
Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements and notes to the financial statements.

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 Council. 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.

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, 2022 AND 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Financial Reporting	Not corrected	Reissued as Finding 2022-001
2020-002	Budgetary Measures Posted to the Accounting System	Not corrected	Reissued as Finding 2022-002

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 12/26/2023

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