

Village of Lynchburg
Highland County

Regular Audit

January 1, 2000-December 31, 2001

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET P.O. BOX 687
PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639
E MAIL: mbalcpa@bright.net



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

Village Council
Village of Lynchburg
P.O. Box 402
Lynchburg, Ohio 45142

We have reviewed the Independent Auditor's Report of the Village of Lynchburg, Highland County, prepared by Balestra & Company, for the audit period January 1, 2000 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lynchburg is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

May 22, 2002

This Page is Intentionally Left Blank.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

Table of Contents

Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types- For the Year Ended December 31, 2001	2
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type- For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types- For the Year Ended December 31, 2000	4
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type- For the Year Ended December 31, 2000	5
Notes to the Financial Statements	6-13
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14-15

This Page is Intentionally Left Blank.

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET P.O. BOX 687
PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639
E MAIL: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Village Council
Village of Lynchburg
P.O. Box 402
Lynchburg, Ohio 45142

We have audited the accompanying financial statements of the Village of Lynchburg, Highland County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Lynchburg, Highland County, Ohio, as of December 31, 2001, and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company

Balestra & Company
February 28, 2002

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only) Total</u>
Cash receipts:			
Local taxes	\$115,816	\$34,921	150,737
Intergovernmental	2,397	55,540	57,937
Interest	1,345	801	2,146
Charges for services	20,000	1,324	21,324
Fines, licenses, and permits	500	0	500
Miscellaneous	47,660	7,487	55,147
	<u>187,718</u>	<u>100,073</u>	<u>287,791</u>
Total cash receipts			
Cash disbursements:			
Current:			
Security of persons and property	9,028	93,864	102,892
Leisure time activities	0	5,433	5,433
Basic utility services	29,700	0	29,700
Transportation	0	36,040	36,040
General government	65,290	585	65,875
Capital outlay	28,852	10,009	38,861
	<u>132,870</u>	<u>145,931</u>	<u>278,801</u>
Total program disbursements			
Total receipts over/(under) program disbursements	<u>54,848</u>	<u>(45,858)</u>	<u>8,990</u>
Other financing receipts/(disbursements):			
Transfers-in	0	53,200	53,200
Transfers-out	(53,200)	0	(53,200)
Other sources	1,150	0	1,150
	<u>(52,050)</u>	<u>53,200</u>	<u>1,150</u>
Total other financing receipts/(disbursements)			
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	2,798	7,342	10,140
Fund cash balances January 1, 2001	<u>16,623</u>	<u>43,351</u>	<u>59,974</u>
Fund cash balances, December 31, 2001	<u>\$19,421</u>	<u>\$50,693</u>	<u>\$70,114</u>
Reserve for encumbrances, December 31, 2001	<u>\$0</u>	<u>\$308</u>	<u>\$308</u>

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

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$541,801
Miscellaneous	<u>2,063</u>
Total operating cash receipts	<u>543,864</u>
Operating cash disbursements:	
Personal services	104,372
Employee Fringe Benefits	22,414
Contractual services	120,245
Supplies and materials	144,533
Capital outlay	34,724
Debt service	182,739
Miscellaneous	<u>8,830</u>
Total operating cash disbursements	<u>617,857</u>
Operating income	(73,993)
Fund cash balances, January 1, 2001	<u>138,418</u>
Fund cash balances, December 31, 2001	<u><u>\$64,425</u></u>
Reserve for encumbrances, December 31, 2001	<u><u>\$927</u></u>

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

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	General	Special Revenue	Debt Service	(Memorandum Only) Total
Cash receipts:				
Local taxes	\$112,316	\$55,603	\$0	\$167,919
Intergovernmental	3,815	76,380	0	80,195
Interest	3,563	639	0	4,202
Charges for services	25,000	1,887	0	26,887
Fines, licenses, and permits	615	0	0	615
Miscellaneous	10,528	6,737	0	17,265
Total cash receipts	155,837	141,246	0	297,083
Cash disbursements:				
Current:				
Security of persons and property	20,005	114,112	0	134,117
Leisure time activities	0	10,007	0	10,007
Basic utility services	26,650	0	0	26,650
Transportation	0	25,566	0	25,566
General government	68,391	1,208	0	69,599
Debt Service:				
Other debt service	0	0	16,025	16,025
Capital outlay	27,048	15,334	0	42,382
Total program disbursements	142,094	166,227	16,025	324,346
Total receipts over/(under) program disbursements	13,743	(24,981)	(16,025)	(27,263)
Other financing receipts/(disbursements):				
Transfers-in	0	20,000	16,025	36,025
Transfers-out	(26,000)	(10,025)	0	(36,025)
Other sources	8,154	0	0	8,154
Other uses	(215)	(493)	0	(708)
Total other financing receipts/(disbursements)	(18,061)	9,482	16,025	7,446
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(4,318)	(15,499)	0	(19,817)
Fund cash balances January 1, 2000	20,941	58,850	0	79,791
Fund cash balances, December 31, 2000	\$16,623	\$43,351	\$0	\$59,974
Reserve for encumbrances, December 31, 2000	\$0	\$999	\$0	\$999

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

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$576,736
Miscellaneous	<u>1,018</u>
Total operating cash receipts	<u>577,754</u>
Operating cash disbursements:	
Personal services	94,456
Employee Fringe Benefits	15,629
Contractual services	112,581
Supplies and materials	83,267
Capital outlay	31,207
Debt service	176,739
Miscellaneous	<u>9,388</u>
Total operating cash disbursements	<u>523,267</u>
Operating income	54,487
Fund cash balances, January 1, 2000	<u>83,931</u>
Fund cash balances, December 31, 2000	<u><u>\$138,418</u></u>
Reserve for encumbrances, December 31, 2000	<u><u>\$927</u></u>

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

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Lynchburg, Highland County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services. The Highland County Sheriff's department provides security of persons and property as needed by the Village.

The Village is associated with one jointly governed organization, the Lynchburg Area Joint Fire and Ambulance District. This organization is presented in Note 6 to the financial statements.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made 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 prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

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

Police Fund- This fund receives tax levy monies for police salaries and police protection services.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds indebtedness.

Enterprise funds

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

Water Fund- Receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund- Receives charges for services from residents to cover the cost of providing this utility.

D. 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 must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations do not 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 also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

VILLAGE OF LYNCHBURG
 HIGHLAND COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

1. Summary of Significant Accounting Policies (Continued)

E. Property, Plant and Equipment

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

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting.

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2001 and 2000 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$134,539	\$198,392

Deposits:

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (3) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF LYNCHBURG
 HIGHLAND COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2001 and 2000 was as follows:

2001 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u> <u>Favorable/</u> <u>(Unfavorable)</u>
General	\$192,215	\$188,868	(\$3,347)
Special Revenue	212,373	153,273	(59,100)
Enterprise	682,532	543,864	(138,668)
	<hr/>	<hr/>	<hr/>
Total	<u>\$1,087,120</u>	<u>\$886,005</u>	<u>(\$201,115)</u>

2001 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u> <u>Favorable/</u> <u>(Unfavorable)</u>
General	\$176,230	\$186,070	(\$9,840)
Special Revenue	199,842	146,239	53,603
Enterprise	682,532	618,784	63,748
	<hr/>	<hr/>	<hr/>
Total	<u>\$1,058,604</u>	<u>\$951,093</u>	<u>\$107,511</u>

VILLAGE OF LYNCHBURG
 HIGHLAND COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

3. Budgetary Activity (Continued)

2000 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable/ (Unfavorable)</u>
General	\$190,938	\$163,991	(\$26,947)
Special Revenue	235,025	161,246	(73,779)
Debt Service	16,025	16,025	0
Enterprise	628,169	577,754	(50,415)
	<hr/>	<hr/>	<hr/>
Total	<u>\$1,070,157</u>	<u>\$919,016</u>	<u>(\$151,141)</u>

2000 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance Favorable/ (Unfavorable)</u>
General	\$190,938	\$168,309	\$22,629
Special Revenue	232,978	177,744	55,234
Debt Service	16,025	16,025	0
Enterprise	595,256	524,194	71,062
	<hr/>	<hr/>	<hr/>
Total	<u>\$1,035,197</u>	<u>\$886,272</u>	<u>\$148,925</u>

VILLAGE OF LYNCHBURG
 HIGHLAND COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

5. Jointly Governed Organizations

The Lynchburg Area Joint Fire and Ambulance District is comprised of one member each of the Board of Trustees of Union, Salem and Dodson Townships of Highland County, and one council member from the Village of Lynchburg. The District has been established to provide fire and ambulance protection services to the participating Townships and the Village. To obtain financial information, write to the Lynchburg Area Joint Fire and Ambulance District, P.O. Box 585, Lynchburg, Ohio 45142.

6. Conduit Debt

The Village issued general obligation bonds December 5, 1995 related to the acquisition of a fire truck. The bonds mature semi-annually on June 1 and December 1 of each year. On June 1, 2000, the Village assigned the use of the fire truck to the Lynchburg Area Joint Fire and Ambulance District (the District) in exchange for fire protection services. The District has contractually assumed the related general obligation bond debt and will receive title to the fire truck upon final payment of the debt. The Village is not obligated in any manner for the repayment of the bonds. As of December 31, 2001, principal and interest outstanding was \$68,280.

7. Debt

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$1,744,540	2.00% - 7.96%

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$2,682,743 in loans to the Village for this project. The loans will be repaid in semiannual installments ranging from 24 to 30 years. The scheduled payment amount below assumes that \$2,682,743 was borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

VILLAGE OF LYNCHBURG
 HIGHLAND COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

7. Debt (Continued)

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
2002	\$182,739
2003	182,739
2004	182,739
2005	182,739
2006	182,739
Subsequent	1,758,694
Total	<u>\$2,672,389</u>

8. Retirement Systems

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police & Firemen Pension Funds (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2001 and 2000 were \$1,870 and \$5,196 respectively, equal to the required contributions for each year.

Post Retirement Benefits

The number of participants eligible to receive health care benefits as of 12/31/00, the date of the last actuarial valuation available, are 12,853 for Police and 10,037 for Firefighters. The portion of the employer contributions that were used to pay post employment benefits for 2001 and 2000 were \$655 and \$1,819 respectively. OP&F's total health care expense for the year ending December 31, 2000, the date of the last actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

8. Retirement Systems (Continued)

Public Employees Retirement System

All other full-time Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement calculation consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law program were placed in a newly named public safety division and continued to contribute at 9%. PERS contributions made by the Village amounted to \$42,839 and \$40,984 for years 2001 and 2000, respectively.

The 2001 employer contribution rate for local government employer units was 13.55% of covered payroll.

Post Retirement Benefits

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage for disability recipients and primary survivor recipients is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employer units the rate was 13.55% of covered payroll. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The number of active contributing participants was 411,076. The rates stated above are actuarially determined contribution requirements for PERS. The portion of employer contributions used to fund postemployment benefits for 2001 and 2000 were \$13,593 and \$13,004.

9. Risk Management

The Village has obtained commercial carrier insurance for the following risks: Comprehensive property and general liability, vehicles, errors and omissions and public officials liability.

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

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET P.O. BOX 687
PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639
E MAIL: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Lynchburg
P.O. Box 402
Lynchburg, Ohio 45142

We have audited the accompanying financial statements of the Village of Lynchburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated February 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to the management of the Village in a separate letter dated February 28, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Village of Lynchburg
Highland County

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Page 2

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company
Balestra & Company
February 28, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF LYNCHBURG

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 6, 2002**