



**VILLAGE OF LEWISBURG
PREBLE COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

VILLAGE OF LEWISBURG
PREBLE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Lewisburg
Preble County
112 South Commerce Street
Lewisburg, Ohio 45338

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lewisburg, Preble County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lewisburg, Preble County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

July 24, 2020

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$91,324	\$142,143	\$24,489	\$257,956
Municipal Income Tax	957,007		159,111	1,116,118
Intergovernmental	92,620	184,501	38,447	315,568
Charges for Services	327,135		39,000	366,135
Fines, Licenses and Permits	2,111	60		2,171
Earnings on Investments	5,375	18	4	5,397
Miscellaneous	6,585	317		6,902
<i>Total Cash Receipts</i>	<u>1,482,157</u>	<u>327,039</u>	<u>261,051</u>	<u>2,070,247</u>
Cash Disbursements				
Current:				
Security of Persons and Property	849,213	67,648		916,861
Leisure Time Activities	8,859	26,220		35,079
Community Environment	1,870			1,870
Basic Utility Services	647			647
Transportation	8,650	146,639		155,289
General Government	398,022	2,316	13	400,351
Capital Outlay	76,921		1,295,988	1,372,909
Debt Service:				
Principal Retirement	38,260	3,010	46,849	88,119
Interest and Fiscal Charges	8,449	387	22,108	30,944
<i>Total Cash Disbursements</i>	<u>1,390,891</u>	<u>246,220</u>	<u>1,364,958</u>	<u>3,002,069</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>91,266</u>	<u>80,819</u>	<u>(1,103,907)</u>	<u>(931,822)</u>
Other Financing Receipts (Disbursements)				
Loans Issued			1,050,000	1,050,000
Sale of Capital Assets	7,275			7,275
Transfers In	263,851		175,900	439,751
Transfers Out	(439,751)			(439,751)
Other Financing Sources	33,337	1,861		35,198
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(135,288)</u>	<u>1,861</u>	<u>1,225,900</u>	<u>1,092,473</u>
<i>Net Change in Fund Cash Balances</i>	(44,022)	82,680	121,993	160,651
<i>Fund Cash Balances, January 1</i>	<u>368,894</u>	<u>49,985</u>	<u>266,884</u>	<u>685,763</u>
Fund Cash Balances, December 31				
Restricted	0	132,665	129,373	262,038
Committed	0	0	259,504	259,504
Assigned	165,769	0	0	165,769
Unassigned (Deficit)	159,103	0	0	159,103
<i>Fund Cash Balances, December 31</i>	<u>\$324,872</u>	<u>\$132,665</u>	<u>\$388,877</u>	<u>\$846,414</u>

See accompanying notes to the basic financial statements. 3

Village of Lewisburg, Ohio

Preble County

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

Proprietary Fund Type

For the Year Ended December 31, 2019

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$1,140,345
Fines, Licenses and Permits	170
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>1,140,515</i>
	<hr/>
Operating Cash Disbursements	
Personal Services	588,851
Contractual Services	140,824
Supplies and Materials	199,830
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>929,505</i>
	<hr/>
<i>Operating Income (Loss)</i>	<i>211,010</i>
	<hr/>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	5,448
Capital Outlay	(8,356)
Principal Retirement	(197,765)
Interest and Other Fiscal Charges	(26,015)
Other Financing Sources	4,218
Other Financing Uses	(360)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(222,830)</i>
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>(11,820)</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>86,885</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>\$75,065</i>
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See accompanying notes to the basic financial statements

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Lewisburg (the Village), Preble 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 water and sewer utilities, park operations, fire/EMS services and police services

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village is associated with Brown Memorial Library, a related organization. Note 10 to the financial statements provide 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 which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Recreation Fund The fund receives taxes and intergovernmental receipts for providing leisure time activities to Village residents.

Fire/EMS Fund – The fund receipts property tax and intergovernmental receipts for providing fire and EMS services to Village residents.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Improvement Project Fund The fund receives transfers from the General Fund and other funding sources for various capital improvement projects within the Village.

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.

Sanitation Fund The sanitation fund accounts for the provision of sanitation services to the residents and commercial users within the Village.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2019 budgetary activity appears in Note 3.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deposits

The Village funds are pooled together in checking and certificate of deposit accounts with local commercial banks.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,607,759	\$1,786,620	\$178,861
Special Revenue	318,735	328,900	10,165
Capital Projects	1,248,924	1,486,951	238,027
Enterprise	1,128,878	1,150,181	21,303
Total	\$4,304,296	\$4,752,652	\$448,356

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,900,000	\$1,830,642	\$69,358
Special Revenue	335,164	246,220	88,944
Capital Projects	1,366,622	1,364,958	1,664
Enterprise	1,175,747	1,162,001	13,746
Total	\$4,777,533	\$4,603,821	\$173,712

Note 4 – Deposits and Investments

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

Demand deposits	2019 \$590,194
Certificates of deposit	331,285
Total deposits	\$921,479

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

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.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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, 2019.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and 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.

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 and 24 percent of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2019.

Social Security

Other Village employees 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, 2019.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. 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.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan (CK02C)	\$11,250	0.00%
Ohio Public Works Commission Loan (CK20D)	106,708	0.00%
Ohio Public Works Commission Loan (CT80P)	1,148,333	0.00%
Ohio Water Development Authority Loan (#7451)	90,429	0.06%
Ohio Water Development Authority Loan (#4717)	689,359	2.75%
Ohio Water Development Authority Loan (#7911)	50,617	2.59%
LCNB Various Purpose Refunding Bonds, Series 2018	671,400	4.35%
The Farmers State Bank Refuse Collection Vehicle Loan	186,667	4.98%
Ohio Department of Transportation (ODOT) SIB Loan	850,000	3.00%
Total	\$3,804,763	

Leases

The Village leases a backhoe loader. The Village disbursed \$13,585 to pay lease costs for the year ended December 31, 2019.

The Village leases two Lifepak 15 Units. The Village disbursed \$1,394 to pay lease costs for the year ended December 31, 2019.

Amortization

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

Year Ending	OPWC CK02C	OPWC CK20D	OPWC CT80P	OWDA #7451	OWDA #4717
December 31:					
2020	\$7,500	\$23,713	\$43,333	\$5,052	\$91,502
2021	3,750	23,713	43,333	5,052	91,502
2022		23,713	43,333	5,052	91,502
2023		23,713	43,333	5,052	91,502
2024		11,856	43,333	5,052	91,502
2025-2029			216,667	25,259	320,258
2030-2034			216,667	25,259	
2035-2039			216,667	15,155	
2040-2044			216,667		
2045-2049			65,000		
Total	\$11,250	\$106,708	\$1,148,333	\$90,933	\$777,768

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Year Ending December 31:	OWDA #7911	LCNB Various	Farmers State	ODOT SIB
		Purpose Refunding Bond Series 2018	Bank Refuse Collection Vehicle	Loan
2020	\$5,995	\$103,806	\$193,227	\$0
2021	11,990	100,561		31,652
2022	11,990	97,316		63,302
2023	11,990	94,071		63,302
2024	5,995	90,826		63,302
2025-2029		330,850		316,510
2030-2034				316,510
2035-2039				284,859
Total	<u>\$47,960</u>	<u>\$817,430</u>	<u>\$193,227</u>	<u>\$1,139,437</u>

The Village received an interest free loan from the Ohio Public Works Commission (OPWC) in 2000 in the amount of \$150,000. This loan was used to finance the Main Street Improvement Project (CK02C). The project was completed in 2001. The Village is making semi-annual payments of \$3,750 with the final payment due in January 2021.

The Village received an interest free loan from the Ohio Public Works Commission (OPWC) in 2004 in the amount of \$474,256. This loan was used to finance a sludge management facilities remodel project (CK20D). The Village is making semi-annual payments of \$11,856 with the final payment due in January 2024.

The Village received an interest free loan from the Ohio Public Works Commission (OPWC) in 2012 in the amount of \$1,300,000. This loan was used to finance a wastewater treatment plant alterations project (CT80P). The loan terms require repayment over 30 years following project completion. The Village is making semi-annual payments of \$21,667 with the final payment due in January 2046.

The Village received a loan from the Ohio Water Development Authority (OWDA) in 2017 for \$100,400 at a 0.06 percent interest rate. This loan is being used to finance a water tower stem repairs and replacement of the water plant generator projects #7451. The loan terms require repayment over 20 years following project completion. The Village will be making semi-annual payments of \$2,525.89, with the final payment due in July 2037.

The Village received a loan from the Ohio Water Development Authority (OWDA) in June 2006 for \$1,400,434 at a 2.75 percent interest rate. This loan was used to finance water treatment plant improvements #4717. The Village is making semi-annual payments of \$45,751 with the final payment due in January 2028.

The Village received a loan from the Ohio Water Development Authority (OWDA) in 2017 for \$55,000 at a 2.59 percent interest rate. OWDA disbursed \$50,439 as of December 31, 2018. The remaining funds were disbursed during 2019. The loan is being used to finance the water well #3 rehabilitation repairs (#7911). The loan terms require repayment over 5 years following project completion. The Village is making semi-annual payments of \$5,995.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Village issued Various Purpose Refunding Bonds, Series 2018, in the principal sum of \$746,000 at a 4.35 percent interest rate to refinance outstanding General Obligation Various Purpose Bonds, Series 2014 in the amount of \$396,000 and outstanding Farmers State Bank debt in the amount of \$350,000. The Village will be making annual payment of \$74,600 plus accrued interest due at October 1.

The Village received a loan from The Farmers State Bank in April 2019 for \$200,000 at a rate of 4.98 percent to finance the purchase of a refuse collection truck. The loan will mature on April 10, 2020. However, during 2019 the Village made a principal payment of \$13,333.

The Village received a State Infrastructure Bank loan in March 2019 from the Ohio Department of Transportation (ODOT) in the amount of \$850,000 at a 3 percent rate. The loan is being used to finance a street resurfacing project. The loan terms require repayment over 20 years following the project completion. The Village will make semi-annual payments of \$31,651 beginning September 2021, with the final payment due in March 2039.

The Village received an interest free loan from the Ohio Public Work Commission (OPWC) in the amount of \$600,490. This loan was used to finance a water tower system improvements project (CK23A). The Village completed the project in 1999. The loan was paid in full during 2019.

Note 10 – Related Organizations

The Brown Memorial Library is a related organization to the Village. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the Village.

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Village of Lewisburg, Ohio
Preble County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$91,534	\$79,053	\$24,412	\$194,999
Municipal Income Tax	903,374		150,192	1,053,566
Intergovernmental	57,120	161,625	20,033	238,778
Charges for Services	270,702		39,000	309,702
Fines, Licenses and Permits	2,403	87		2,490
Earnings on Investments	2,980	5	1	2,986
Miscellaneous	2,812	135	142,906	145,853
<i>Total Cash Receipts</i>	<u>1,330,925</u>	<u>240,905</u>	<u>376,544</u>	<u>1,948,374</u>
Cash Disbursements				
Current:				
Security of Persons and Property	819,451	67,326		886,777
Leisure Time Activities	27,591	29,568		57,159
Community Environment	2,555			2,555
Transportation	9,375	160,710		170,085
General Government	367,412	2,126	4	369,542
Capital Outlay	33,906		688,266	722,172
Debt Service:				
Principal Retirement	5,000	2,833	937,333	945,166
Interest and Fiscal Charges	2	563	30,244	30,809
<i>Total Cash Disbursements</i>	<u>1,265,292</u>	<u>263,126</u>	<u>1,655,847</u>	<u>3,184,265</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>65,633</u>	<u>(22,221)</u>	<u>(1,279,303)</u>	<u>(1,235,891)</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds			746,000	746,000
Loans Issued			350,000	350,000
Transfers In	264,995		176,663	441,658
Transfers Out	(441,658)			(441,658)
Other Financing Sources	13,457	1,344	7,890	22,691
Other Financing Uses	(300)			(300)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(163,506)</u>	<u>1,344</u>	<u>1,280,553</u>	<u>1,118,391</u>
<i>Net Change in Fund Cash Balances</i>	<u>(97,873)</u>	<u>(20,877)</u>	<u>1,250</u>	<u>(117,500)</u>
<i>Fund Cash Balances, January 1</i>	<u>466,767</u>	<u>70,862</u>	<u>265,634</u>	<u>803,263</u>
Fund Cash Balances, December 31				
Restricted	0	49,985	115,844	165,829
Committed	0	0	151,040	151,040
Assigned	148,921	0	0	148,921
Unassigned (Deficit)	219,973	0	0	219,973
<i>Fund Cash Balances, December 31</i>	<u>\$368,894</u>	<u>\$49,985</u>	<u>\$266,884</u>	<u>\$685,763</u>

See accompanying notes to the basic financial statements

Village of Lewisburg, Ohio
Preble County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$1,065,457
Fines, Licenses and Permits	<u>800</u>
<i>Total Operating Cash Receipts</i>	<u>1,066,257</u>
Operating Cash Disbursements	
Personal Services	557,477
Contractual Services	172,136
Supplies and Materials	<u>237,590</u>
<i>Total Operating Cash Disbursements</i>	<u>967,203</u>
<i>Operating Income (Loss)</i>	<u>99,054</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	49,552
Capital Outlay	(24,153)
Principal Retirement	(176,890)
Interest and Other Fiscal Charges	(23,527)
Other Financing Sources	3,453
Other Financing Uses	<u>(180)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(171,745)</u>
<i>Net Change in Fund Cash Balances</i>	(72,691)
<i>Fund Cash Balances, January 1</i>	<u>159,576</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$86,885</u></u>

See accompanying notes to the basic financial statements.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Lewisburg (the Village), Preble 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 water and sewer utilities, park operations, fire/EMS services and police services

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village is associated with Brown Memorial Library, a related organization. Note 10 to the financial statements provide 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 which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Recreation Fund The fund receives taxes and intergovernmental receipts for providing leisure time activities to Village residents.

Fire/EMS Fund – The fund receipts property tax and intergovernmental receipts for providing fire and EMS services to Village residents.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Improvement Project Fund The fund receives transfers from the General Fund and other funding sources for various capital improvement projects within the Village.

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.

Sanitation Fund The sanitation fund accounts for the provision of sanitation services to the residents and commercial users within the Village.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2018 budgetary activity appears in Note 3.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

The Village funds are pooled together in checking and certificate of deposit accounts with local commercial banks.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,613,352	\$1,609,377	(\$3,975)
Special Revenue	228,826	242,249	13,423
Capital Projects	1,524,243	1,657,097	132,854
Enterprise	1,106,090	1,119,262	13,172
Total	<u>\$4,472,511</u>	<u>\$4,627,985</u>	<u>\$155,474</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,746,063	\$1,707,250	\$38,813
Special Revenue	269,646	263,126	6,520
Capital Projects	1,653,001	1,655,847	(2,846)
Enterprise	1,238,694	1,191,953	46,741
Total	<u>\$4,907,404</u>	<u>\$4,818,176</u>	<u>\$89,228</u>

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$436,049
Certificates of deposit	336,599
Total Deposits	<u>\$772,648</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

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.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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, 2018.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and 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.

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 and 24 percent of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

Other Village employees 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, 2018.

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

Beginning January 1, 2019, OP&F 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.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan (CK02C)	\$18,750	0.00%
Ohio Public Works Commission Loan (CK23A)	30,025	0.00%
Ohio Public Works Commission Loan (CK20D)	130,420	0.00%
Ohio Public Works Commission Loan (CT80P)	1,191,667	0.00%
Ohio Water Development Authority Loan (#7451)	95,424	0.06%
Ohio Water Development Authority Loan (#4717)	760,434	2.75%
Ohio Water Development Authority Loan (#7911)	50,440	2.59%
LCNB Various Purpose Refunding Bonds, Series 2018	746,000	4.35%
Total	<u>\$3,023,160</u>	

Leases

The Village leases a backhoe loader. The Village disbursed \$13,585 to pay lease costs for the year ended December 31, 2018.

The Village leases two Lifepak 15 Units. The Village disbursed \$16,724 to pay lease costs for the year ended December 31, 2018.

Amortization

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

Year Ending December 31:	OPWC CK02C	OPWC CK23A	OPWC CK20D	OPWC CT80P
2019	\$7,500	\$30,025	\$23,713	\$43,333
2020	7,500		23,713	43,333
2021	3,750		23,713	43,333
2022			23,713	43,333
2023			23,713	43,333
2024-2028				216,667
2029-2033				216,667
2034-2038				216,667
2039-2043				216,667
2044-2048			11,855	108,334
Total	<u>\$18,750</u>	<u>\$30,025</u>	<u>\$130,420</u>	<u>\$1,191,667</u>

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Year Ending	LCNB Various Purpose Refunding Bond Series		
December 31:	OWDA #7451	OWDA #4717	2018
2019	\$5,052	\$91,502	\$104,437
2020	5,052	91,502	103,806
2021	5,052	91,502	100,561
2022	5,052	91,502	97,316
2023	5,052	91,502	94,071
2024-2028	25,259	411,761	421,676
2029-2033	25,259		
2034-2038	20,207		
Total	\$95,985	\$869,271	\$921,867

The Village received an interest free loan from the Ohio Public Works Commission (OPWC) in 2000 in the amount of \$150,000. This loan was used to finance the Main Street Improvement Project (CK02C). The project was completed in 2001. The Village is making semi-annual payments of \$3,750 with the final payment due in January 2021.

The Village received an interest free loan from the Ohio Public Work Commission (OPWC) in the amount of \$600,490. This loan was used to finance a water tower system improvements project (CK23A). The Village completed the project in 1999. The Village is making semi-annual payments of \$15,012 with the final payment due in July 2019.

The Village received an interest free loan from the Ohio Public Works Commission (OPWC) in 2004 in the amount of \$474,256. This loan was used to finance a sludge management facilities remodel project (CK20D). The Village is making semi-annual payments of \$11,856 with the final payment due in January 2024.

The Village received an interest free loan from the Ohio Public Works Commission (OPWC) in 2012 in the amount of \$1,300,000. This loan was used to finance a wastewater treatment plant alterations project (CT80P). The loan terms require repayment over 30 years following project completion. The Village is making semi-annual payments of \$21,667 with the final payment due in January 2046.

The Village received a loan from the Ohio Water Development Authority (OWDA) in 2017 for \$100,400 at a 0.06 percent interest rate. This loan is being used to finance a water tower stem repairs and replacement of the water plant generator projects #7451. The loan terms require repayment over 20 years following project completion. The Village will be making semi-annual payments of \$2,525.89, with the final payment due in July 2037.

The Village received a loan from the Ohio Water Development Authority (OWDA) in June 2006 for \$1,400,434 at a 2.75 percent interest rate. This loan was used to finance water treatment plant improvements #4717. The Village is making semi-annual payments of \$45,751 with the final payment due in January 2028.

Village of Lewisburg, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village received a loan from the Ohio Water Development Authority (OWDA) in 2017 for \$55,000 at a 2.59 percent interest rate. OWDA disbursed \$50,439 as of December 31, 2018. The loan is being used to finance the water well #3 rehabilitation repairs (#7911). The loan terms require repayment over 5 years following project completion. The Ohio Water Development Authority (OWDA) loan was not complete at December 31, 2018. No amortization schedule has been issued.

The Village previously issued its General Obligation Various Purpose Bonds, Series 2014 in the amount of \$660,000 at a 3.00 percent interest rate to finance the cost of acquiring and/or making various public improvements in the Village and there were \$396,000 of the 2014 Bonds outstanding. Also, the Village previously received a loan in the amount of \$350,000 at a 3.50 percent interest rate from The Farmers State Bank to finance public infrastructure improvements and to finance additional improvements in the Village and the amount of that debt outstanding was \$350,000. The Village issued its Various Purpose Refunding Bonds, Series 2018 in the amount of \$746,000 at a 4.35 percent interest rate to refinance the 2014 Bonds and the debt with The Farmers State Bank. The Village will be making annual payment of \$74,600 plus accrued interest due at October 1.

The Village received a loan from The Farmers State Bank in 2017 for \$120,000 at a 3.75 percent interest rate to make capital improvements to the area of the Village's water spray ground and approaching and abutting right-of-ways. The debt was repaid in 2018.

Note 10 – Related Organizations

The Brown Memorial Library is a related organization to the Village. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the Village.

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The Village received a loan from The Farmers State Bank on April 10, 2019 for \$200,000 to finance the purchase of a refuse collection truck.

The Village received a State Infrastructure Bank loan in March 2019 from the Ohio Department of Transportation (ODOT) in the amount of \$850,000. The loan is being used to finance a street resurfacing project.

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

Village of Lewisburg
Preble County
112 South Commerce Street
Lewisburg, Ohio 45338

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Lewisburg, Preble County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 24, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, and the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

July 24, 2020

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness – Financial Statement Errors

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.

All financial information should be correctly reported and classified in the annual financial statements and accounting system. The Village did not have procedures in place to accurately report financial activity. The following material errors which required re-classifications to the financial statements to correctly report the financial activity during the audit period were noted:

- Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) and Auditor of State Bulletin 2011-004 state, in part, that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund, as it is the only fund with a positive unassigned fund balance. The Village failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in the amount of \$148,921 for 2018 and \$165,769 for 2019. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.
- In 2018, donation receipts for \$129,000 in the Capital Projects Fund were classified as Intergovernmental Receipts rather than Miscellaneous Receipts.
- In 2018, Ohio Water Development Authority loan proceeds of \$49,552 were incorrectly classified as Other Financing Uses in the Water Fund rather than Debt Proceeds.
- In 2019, Ohio Water Development Authority loan proceeds of \$5,448 were incorrectly classified as Other Financing Uses in the Water Fund rather than Debt Proceeds.
- In 2018, the Village obtained a bank loan for \$350,000. Of the loan proceeds, \$230,000 was to be used for capital outlay purposes. The remaining \$120,000 was used by the bank to pay off an existing village loan for \$120,000. However, the Village did not record that activity in the accounting ledgers. As such, Loans Issued and Debt Service-Principal were both understated by \$120,000 in the Capital Projects Fund.
- In 2018, Community Reinvestment Area expenditures of \$47,105 were incorrectly classified as Debt Service - Principal Retirement in the General Fund rather than General Government.
- In 2019, Community Reinvestment Area expenditures of \$53,257 were incorrectly classified as Debt Service - Principal Retirement in the General Fund rather than General Government.

The failure to correctly classify fund balances and financial activity on financial statements may impact the user's understanding of the financial operations, the Council's ability to make sound financial decisions, and result in the material misstatement of the financial statements. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts.

**FINDING NUMBER 2019-001
(Continued)**

The errors identified should be reviewed by Council to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in the classification of fund balances. In addition to the monthly review of financial reports, Council should consider a detailed review of the accounting records and the year-end financial statements to help identify and correct errors in a timely manner.

Officials' Response:

Upon review of the Financial Statement Findings with the Municipal Manager and Fiscal Officer, we acknowledge the importance of accurately reporting all financial information.

All findings were mistakes posted out of error and non-intentional. We will take precautions to prevent the same errors in the future.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LEWISBURG

PREBLE 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 8/27/2020

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This report is a matter of public record and is available online at
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