



**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
Regular Audit
For the Years Ended December 31, 2016 and 2015**

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OHIO AUDITOR OF STATE KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Village of Lynchburg, Highland County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

On July 11, 2016, Tamara Anne Pierre, former Village Administrator for the Village of Lynchburg received a payout for her leave balances upon her leaving employment with the Village at a rate of \$23.08 per hour. Her leave payout included 96 hours of holiday leave. Ms. Pierre had an employment contract with the Village, but the contract was silent as to holiday leave. Therefore, holiday leave should have been provided and used in accordance with the Village employee manual. The employee manual states that all full-time employees are entitled to a total of 13 paid holidays during the course of a calendar year.

Village Council
Village of Lynchburg
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Finding for Recovery (continued)

All holiday leave hours of 104 hours were added to the Uniform Accounting System at the beginning of 2016. Five of those holidays (New Years' Day, Martin Luther King Day, President's Day, Memorial Day, and Independence Day) would have occurred before her leaving but Ms. Pierre's leave balance in the system only indicated that 8 hours of holiday were used during 2016. The employee manual does not state that an employee can be paid for holidays not worked after resignation or termination from the Village. Therefore, Ms. Pierre was overpaid for 96 hours in the amount of \$2,215.68.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is issued against Tamara Anne Pierre, former Village Administrator, in the amount of \$2,215, and in favor of the Village of Lynchburg's General Fund in the amount of \$554, Street Construction Maintenance and Repair Fund in the amount of \$554, Water Operating Fund in the amount of \$554, and the Sewer Operating Fund in the amount of \$553.

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.



Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2019

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

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INDEPENDENT AUDITOR'S REPORT

November 30, 2018

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the **Village of Lynchburg**, Highland County (the Village) as of and for the years ended December 31, 2016 and 2015.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lynchburg, Highland County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 46,988	\$ 145,092	\$ 192,080
Intergovernmental	38,212	87,862	126,074
Special Assessments	93	34,946	35,039
Charges for Services	20,000	-	20,000
Fines, Licenses and Permits	17,069	-	17,069
Earnings on Investments	1,259	256	1,515
Miscellaneous	12,509	1,713	14,222
<i>Total Cash Receipts</i>	<u>136,130</u>	<u>269,869</u>	<u>405,999</u>
Cash Disbursements			
Current:			
Security of Persons and Property	2,210	70,583	72,793
Public Health Services	14,036	-	14,036
Leisure Time Activities	6,571	-	6,571
Basic Utility Services	610	-	610
Transportation	-	181,308	181,308
General Government	100,757	37,162	137,919
Capital Outlay	32,699	244	32,943
Debt Service:			
Principal Retirement	8,321	-	8,321
Interest and Fiscal Charges	1,173	-	1,173
<i>Total Cash Disbursements</i>	<u>166,377</u>	<u>289,297</u>	<u>455,674</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,247)</u>	<u>(19,428)</u>	<u>(49,675)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	34,000	-	34,000
Sale of Capital Assets	8,321	-	8,321
Transfers In	-	2,998	2,998
Transfers Out	(2,998)	-	(2,998)
Other Financing Sources	25	-	25
<i>Total Other Financing Receipts (Disbursements)</i>	<u>39,348</u>	<u>2,998</u>	<u>42,346</u>
<i>Net Change in Fund Cash Balances</i>	9,101	(16,430)	(7,329)
<i>Fund Cash Balances, January 1</i>	<u>25,786</u>	<u>315,006</u>	<u>340,792</u>
Fund Cash Balances, December 31			
Restricted	-	304,253	304,253
Committed	-	2,998	2,998
Assigned	24,483	-	24,483
Unassigned (Deficit)	10,404	(8,675)	1,729
<i>Fund Cash Balances, December 31</i>	<u>\$ 34,887</u>	<u>\$ 298,576</u>	<u>\$ 333,463</u>

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 796,896	\$ -	\$ 796,896
<i>Total Operating Cash Receipts</i>	<u>796,896</u>	<u>-</u>	<u>796,896</u>
Operating Cash Disbursements			
Personal Services	178,045	-	178,045
Employee Fringe Benefits	98,006	-	98,006
Contractual Services	280,335	-	280,335
Supplies and Materials	75,859	-	75,859
Other	21,223	-	21,223
<i>Total Operating Cash Disbursements</i>	<u>653,468</u>	<u>-</u>	<u>653,468</u>
<i>Operating Income</i>	<u>143,428</u>	<u>-</u>	<u>143,428</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	125,978	-	125,978
Other Debt Proceeds	56,287	-	56,287
Miscellaneous Receipts	14,417	-	14,417
Capital Outlay	(56,286)	-	(56,286)
Principal Retirement	(82,389)	-	(82,389)
Interest and Other Fiscal Charges	(5,011)	-	(5,011)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>52,996</u>	<u>-</u>	<u>52,996</u>
<i>Income before Transfers</i>	196,424	-	196,424
Transfers In	17,000	24	17,024
Transfers Out	(17,024)	-	(17,024)
<i>Net Change in Fund Cash Balances</i>	196,400	24	196,424
<i>Fund Cash Balances, January 1</i>	<u>502,090</u>	<u>1,917</u>	<u>504,007</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 698,490</u>	<u>\$ 1,941</u>	<u>\$ 700,431</u>

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Lynchburg, Highland County, (the Village) as a body politic and corporate established to exercise rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water, sewer, trash and storm sewer utilities, maintenance of Village roads and bridges, park operations and police services

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

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

Street Construction, Maintenance, and Repair Fund – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing streets within the Village.

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

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

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

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

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

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency funds account for Mayor's Court and unclaimed monies. The Village does not have an active Mayor's Court.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund. Also contrary to Ohio law, expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Police Levy Fund, Water Operating Fund and Water Debt Service Fund.

Also contrary to Ohio law, the Street Construction Maintenance and Repair Fund had a negative fund balance at December 31, 2016.

Also contrary to Ohio law, the Village did not encumber all commitments required by Ohio law.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 152,218	\$ 178,476	\$ 26,258
Special Revenue	247,480	272,867	25,387
Enterprise	971,503	1,010,578	39,075
Total	\$ 1,371,201	\$ 1,461,921	\$ 90,720

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 189,463	\$ 170,558	\$ 18,905
Special Revenue	302,142	292,746	9,396
Enterprise	925,396	822,106	103,290
Total	\$ 1,417,001	\$ 1,285,410	\$ 131,591

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 5 – Deposits

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

	2016
Demand Deposits	<u>\$ 1,033,894</u>
Total Deposits	<u>\$ 1,033,894</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

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

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

Note 7 - Risk Management

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

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 7 - Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

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

<u>2016 Contributions to PEP</u>
\$22,941

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 - Transfers

During 2016, the following transfers were made:

	Transfers - In	Transfers - Out
General Fund	\$ -	\$ (2,998)
Tree Board Fund	2,998	-
Water Fund	-	(15,000)
Water Debt Service	15,000	-
Sewer Fund	-	(2,000)
Sewer Debt Service	2,000	-
Utility Deposit Fund	-	(24)
Unclaimed Monies	24	-
	\$ 20,022	\$ (20,022)

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All but two employees belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

One full time police officer belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 - Postemployment Benefits

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

Note 11 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #3037	\$ 153,040	6.51%
OWDA #3038	4,129	6.72%
OWDA #4982	340,026	1.50%
OWDA #5268	720,133	0.00%
OWDA #6889	176,224	3.25%
OPWC #CO06K	77,289	0.00%
OPWC #CO18D	29,061	0.00%
OPWC #CT43L	17,550	0.00%
2014 GMC Sierra 2500 Truck	14,564	4.50%
2016 Ford Explorer Police Cruiser	25,680	4.00%
Total	<u>\$ 1,557,696</u>	

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

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

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

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

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 11 – Debt (Continued)

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

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

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

The Village signed a promissory note in April 2014 with Southern Hills Community Bank for the purchase of a 2014 GMC Sierra Truck for \$29,443. Monthly payments of \$549.82 will be made for a period of five years. Payments are scheduled to be made equally from the Water and Sewer Funds.

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

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

Year ending December 31:	OWDA 3037	OWDA 3038	OWDA 4982	OPWC CO06K
2017	\$ 53,950	\$1,454	\$ 27,918	\$ 5,724
2018	55,150	1,488	27,918	5,724
2019	56,428	1,526	27,918	5,724
2020	-	-	27,918	5,724
2021	-	-	27,918	5,724
2022-2026	-	-	139,590	28,620
2027-2031	-	-	97,713	20,049
Total	<u>\$165,528</u>	<u>\$4,468</u>	<u>\$376,893</u>	<u>\$77,289</u>

Year ending December 31:	OPWC CO18D	OPWC CT43L	2014 GMC Truck	2016 Police Cruiser
2017	\$ 4,844	\$ 1,300	\$ 6,600	\$ 7,655
2018	4,844	1,300	6,600	7,655
2019	4,844	1,300	2,200	7,655
2020	4,844	1,300	-	7,655
2021	4,844	1,300	-	7,655
2022-2026	4,841	6,500	-	-
2027-2031	-	4,550	-	-
Total	<u>\$ 29,061</u>	<u>\$17,550</u>	<u>\$ 15,400</u>	<u>\$ 38,275</u>

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 12 – Contingent Liabilities

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 49,494	\$ 143,337	\$ 192,831
Intergovernmental	48,955	78,093	127,048
Special Assessments	595	36,283	36,878
Charges for Services	20,000	-	20,000
Fines, Licenses and Permits	16,124	-	16,124
Earnings on Investments	1,269	330	1,599
Miscellaneous	3,017	2,474	5,491
<i>Total Cash Receipts</i>	<u>139,454</u>	<u>260,517</u>	<u>399,971</u>
Cash Disbursements			
Current:			
Security of Persons and Property	6,812	37,781	44,593
Public Health Services	36,386	-	36,386
Leisure Time Activities	38,582	-	38,582
Basic Utility Services	1,982	-	1,982
Transportation		79,338	79,338
General Government	139,835	36,406	176,241
<i>Total Cash Disbursements</i>	<u>223,597</u>	<u>153,525</u>	<u>377,122</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(84,143)</u>	<u>106,992</u>	<u>22,849</u>
Other Financing Receipts (Disbursements)			
Advances In	2,026	-	2,026
Advances Out	-	(2,026)	(2,026)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,026</u>	<u>(2,026)</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(82,117)	104,966	22,849
<i>Fund Cash Balances, January 1</i>	<u>107,903</u>	<u>210,040</u>	<u>317,943</u>
Fund Cash Balances, December 31			
Restricted	-	315,006	315,006
Assigned	25,786	-	25,786
<i>Fund Cash Balances, December 31</i>	<u>\$ 25,786</u>	<u>\$ 315,006</u>	<u>\$ 340,792</u>

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 747,733	\$ -	\$ 747,733
<i>Total Operating Cash Receipts</i>	<u>747,733</u>	<u>-</u>	<u>747,733</u>
Operating Cash Disbursements			
Personal Services	169,742	-	169,742
Employee Fringe Benefits	90,341	-	90,341
Contractual Services	214,845	-	214,845
Supplies and Materials	101,617	-	101,617
Other	45,290	-	45,290
<i>Total Operating Cash Disbursements</i>	<u>621,835</u>	<u>-</u>	<u>621,835</u>
<i>Operating Income</i>	<u>125,898</u>	<u>-</u>	<u>125,898</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	131,345	-	131,345
Other Debt Proceeds	125,545	-	125,545
Miscellaneous Receipts	10,198	-	10,198
Capital Outlay	(125,557)	-	(125,557)
Principal Retirement	(151,920)	-	(151,920)
Interest and Other Fiscal Charges	(21,227)	-	(21,227)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(31,616)</u>	<u>-</u>	<u>(31,616)</u>
<i>Income before Transfers</i>	94,282	-	94,282
Transfers In	95,312	-	95,312
Transfers Out	(95,312)	-	(95,312)
<i>Net Change in Fund Cash Balances</i>	94,282	-	94,282
<i>Fund Cash Balances, January 1</i>	<u>407,808</u>	<u>1,917</u>	<u>409,725</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 502,090</u>	<u>\$ 1,917</u>	<u>\$ 504,007</u>

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 - Reporting Entity

The Village of Lynchburg, Highland County, (the Village) as a body politic and corporate established to exercise rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water, sewer, trash and storm sewer utilities, maintenance of Village roads and bridges, park operations and police services

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

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

Street Construction, Maintenance, and Repair Fund – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing streets within the Village.

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

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

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

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

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

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

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency funds account for Mayor's Court and unclaimed monies. The Village does not have an active Mayor's Court.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2015 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

Note 3 – Compliance

Contrary to Ohio law, expenditures exceeded appropriations in the General Fund, Police Operating Levy, Water Operating and Trash Funds. Also contrary to Ohio law, the Village did not encumber all commitments required by Ohio law.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 125,575	\$ 139,454	\$ 13,879
Special Revenue	245,931	260,517	14,586
Enterprise	844,300	1,110,133	265,833
Total	<u>\$ 1,215,806</u>	<u>\$ 1,510,104</u>	<u>\$ 294,298</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 142,450	\$ 224,060	\$ (81,610)
Special Revenue	159,699	154,922	4,777
Enterprise	1,075,919	1,021,697	54,222
Total	<u>\$ 1,378,068</u>	<u>\$ 1,400,679</u>	<u>\$ (22,611)</u>

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 5 – Deposits

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

	2015
Demand Deposits	<u>\$ 844,799</u>
Total Deposits	<u><u>\$ 844,799</u></u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

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

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

Note 7 - Risk Management

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

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 7 - Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015.

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, respectively, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership was 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

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

<u>2015 Contributions to PEP</u>
\$21,739

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 8 – Transfers and Advances

During 2015, the following transfers were made:

	Transfers - In	Transfers - Out
Water Fund	-	(60,000)
Water Debt Service	60,000	-
Sewer Fund	-	(35,312)
Sewer Debt Service	35,312	-
	\$ 95,312	\$ (95,312)

During 2015, the following advance was made to repay an outstanding advance from a prior year:

	Advances - In	Advances - Out
Tree Board Fund	-	(2,026)
General Fund	2,026	-
	\$ 2,026	\$ (2,026)

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All but two employees belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Ohio Police and Fire Retirement System

One full time police officer belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.5% of their wages from January 2015 to June 30, 2015 and 12.25% of their wages from July 1, 2015 to December 31, 2015. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 10 - Postemployment Benefits

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

Note 11 - Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #3037	\$ 175,492	6.51%
OWDA #3038	4,732	6.72%
OWDA #4982	351,350	1.50%
OWDA #5268	750,870	0.00%
OWDA #6889	125,545	3.25%
OPWC #CO06K	80,151	0.00%
OPWC #CO18D	31,483	0.00%
OPWC #CT43L	18,200	0.00%
2014 GMC Sierra 2500 Truck	20,296	4.50%
Total	<u>\$ 1,558,119</u>	

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

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

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 11 – Debt (Continued)

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

The Ohio Water Development (OWDA) Loan #6889 relates to a water distribution improvement project. The OWDA approved up to \$175,301 in loans to the Village for this project. The project is not fully drawn down as of December 31, 2015; therefore amortization and payment schedules have not yet been finalized. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

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

The Village signed a promissory note in April 2014 with Southern Hills Community Bank for the purchase of a 2014 GMC Sierra Truck for \$29,443. Monthly payments of \$549.82 will be made for a period of five years. Payments are scheduled to be made equally from the Water and Sewer Funds.

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

Year ending December 31:	OWDA 3037	OWDA 3038	OWDA 4982	OPWC CO06K
2016	\$ 44,904	\$1,420	\$ 27,918	\$ 5,724
2017	53,950	1,454	27,918	5,724
2018	55,150	1,488	27,918	5,724
2019	56,431	1,526	27,918	5,724
2020	-	-	27,918	5,724
2021-2025	-	-	139,590	28,620
2026-2030	-	-	111,672	22,911
Total	<u>\$210,435</u>	<u>\$5,888</u>	<u>\$390,852</u>	<u>\$80,151</u>

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 11 – Debt (Continued)

Year ending December 31:	OPWC CO18D	OPWC CT43L	2014 GMC Truck
2016	\$ 4,844	\$ 1,300	\$ 6,600
2017	4,844	1,300	6,600
2018	4,844	1,300	6,600
2019	4,844	1,300	2,200
2020	4,844	1,300	-
2021-2025	4,844	6,500	-
2026-2030	2,419	5,200	-
Total	<u>\$ 31,483</u>	<u>\$18,200</u>	<u>\$ 22,000</u>

Note 12 – Contingent Liabilities

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



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Cambridge, OH 43725
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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**

November 30, 2018

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Lynchburg**, Highland County (the Village) as of and for the year ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 30, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weakness and significant deficiencies.

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 a 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. We consider findings 2016-001 through 2016-003 described in the accompanying schedule of audit findings to be material weaknesses.

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Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-009 described in the accompanying schedule of audit findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2016-004 through 2016-008.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 30, 2018.

Purpose of this Report

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



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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness

Financial Reporting

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

During 2016 and 2015, receipts, disbursements and fund balances were not always posted or classified correctly and footnote disclosures were not always appropriate or accurate. The following errors were noted:

- Sale of old police cruisers and land improperly classified as Miscellaneous instead of Sale of Capital Assets in 2016;
- Rollback receipts were improperly classified as Property and Other Local Taxes instead of Intergovernmental in 2016;
- Loan activity was not properly recorded or classified in 2016 and 2015;
- Permissive Tax receipts were not properly classified or posted in 2016 and 2015;
- A transfer from the Police Fund to the General Fund was determined to be not approved and unallowable, therefore was reversed in 2016;
- Budget carryover and outstanding encumbrances in the General Fund were improperly classified as Unassigned instead of Assigned in 2016 and 2015;
- A Special Revenue Tree Board Fund was established in 2014 that does not appear to meet the requirements of a Special Revenue Fund. Due to the immaterial amount, the fund was not adjusted, however the fund balance of the fund was reclassified from Restricted to Committed;
- Utility late fees collected were improperly receipted into the General Fund and were adjusted to the Water, Sewer and Trash Funds accordingly in 2015;
- Repayment of an outstanding advance was improperly recorded as a fund balance adjustment;
- Multiple unsupported and unapproved fund balance adjustments were made in 2015 that were reversed;
- Payroll expenses relating to a police officer were improperly charged to the Street Construction, Maintenance and Repair Fund in 2015;
- The Village improperly utilized a modified-cash basis footnote shell for the 2015 annual report;
- Budgetary footnotes for 2016 and 2015 were not accurate;
- Risk Pool footnotes for 2016 and 2015 were not accurate;
- Debt footnote for 2016 was not complete and accurate and the Village omitted a debt footnote for 2015;
- Cash footnotes for 2016 and 2015 were not accurate;
- Various other revisions were made to the footnotes to reflect accurate and updated information.

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

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001 (Continued)

Material Weakness (Continued)

Financial Reporting (Continued)

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

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

FINDING NUMBER 2016-002

Material Weakness

Credit Cards

The Village paid credit card expenses that were not itemized or supported by receipts. The Village did not maintain a written credit card policy identifying guidance regarding allowable expenses, limitations, required supporting documentation, or review and approval of use. Neither the Village Fiscal Officer nor Council reviewed monthly credit card expenditures to ensure items purchased were properly supported and allowable. The lack of documentation made it difficult to determine the nature of certain charges and whether each related to the operations of the Village. It was identified the prior Village Administrator charged personal expenses on the Village credit cards for non-business related items.

An outside investigation was completed which included review of credit card expenditures. On January 2, 2019, Tamara Lynch pled Guilty to, and was found Guilty of, Theft by Deception, in violation of R.C. 2913.02(A)(3), a felony of the fourth degree, before the Highland County Common Pleas Court in Case No. 18CR0236. The Court found that full restitution had already been paid.

It was the Village Fiscal Officer and Council's responsibility to implement internal controls to reasonably ensure credit card transactions were supported, accurately recorded and for Village purposes. It was the Village Fiscal Officer and Council's responsibility to monitor these control procedures and verify they were operating effectively. Failure to provide detailed guidance addressing required supporting documentation and allowable expenditures, and failing to review transactions resulted in personal purchases being paid by the Village.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-002 (Continued)

Material Weakness (Continued)

Credit Cards (Continued)

We recommend the Village establish written policies and procedures related to credit card transactions that specifically address items such as authorized users, allowable and prohibited expenditures, and required documentation, including the submission of original, itemized receipts. The Village should also establish procedures for review and approval of credit card transactions and specifically designate those individuals required to review and approve transactions to ensure sufficient documentation is provided to support the nature and business purpose of credit card charges prior to paying bills. To be effective, the performance of internal controls must be sufficiently documented to provide assurance the control was in place and functioned as management intended.

FINDING NUMBER 2016-003

Material Weakness

Segregation of Duties and Internal Controls

We noted an inadequate segregation of duties and lack of established internal controls at the Village. The Village Administrator had the ability to perform fiscal responsibilities, including preparing disbursements, processing and authorizing payroll disbursements, issuing and signing Village checks and electronically paying bills from Village bank accounts. There was not always documented review or approval by management of the invoices or detailed receipts supporting the checks written and signed by the Village Administrator. The Village Administrator also presented the financial information at Village Council meetings during periods of turnover in the Fiscal Officer position. We also noted the Village lacked formalized written policies and procedures over the payroll and non-payroll disbursement processes.

The lack of segregation of duties increases the possibility of errors or irregularities occurring and not being discovered timely. Not establishing internal controls can lead to payroll and non-payroll disbursements being made that are improper and increase the opportunity for fraud to occur.

We recommend the Village develop internal control procedures that promote an adequate segregation of duties for the payroll and non-payroll processes. Job duties should be separated between employees to strengthen controls, including separating daily fiscal responsibilities, including preparing disbursements, writing and signing checks, and processing payroll disbursements, from the Village Administrator, thereby decreasing the risk of fraud. These procedures should also promote effective management oversight by Council to ensure the non-payroll and payroll systems are providing complete, accurate, and timely information.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-004

Noncompliance

Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village's appropriations exceeded estimated resources in 2016 and 2015 in various funds.

The Village should implement the appropriate procedures to ensure appropriations do not exceed the amount of estimated resources.

FINDING NUMBER 2016-005

Noncompliance

Ohio Revised Code 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

Expenditures exceeded appropriations in various funds in 2016 and 2015.

The Village should implement procedures to ensure appropriations are approved by Council prior to expenditures being incurred.

FINDING NUMBER 2016-006

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-006 (Continued)

Noncompliance (Continued)

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

Of the transactions tested, 39% in 2016 and 54% in 2015 did not have a purchase order dated prior to the obligation date. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Village Council. Council should establish a limit for the blanket certificates by resolution.

In order to improve controls over disbursements, we recommend all Village disbursements receive prior certification from the fiscal officer, that blanket certificates be opened for regularly occurring expenses, and "Then and Now" certificates are used accordingly.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-007

Noncompliance

Ohio Revised Code Section 117.103(B)(1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. Furthermore, **Ohio Revised Code Section 117.103(B)(2)** states that on the effective date of this section (May 4, 2012), each public office shall make all its employees aware of the fraud-reporting system.

For 2016 and 2015, the Village neither made its current employees aware of the new fraud reporting system, nor made new employees confirm receipt of this information. Failure to notify employees of the fraud reporting system could lead to instances of unreported fraud.

We recommend the Village communicate the fraud reporting system to its current employees and implement a process for informing new employees.

FINDING NUMBER 2016-008

Noncompliance

Ohio Rev. Code Section 5705.10 (I) requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had a negative fund balance of \$8,675 in the Street Construction Maintenance and Repair Fund at December 31, 2016.

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored by the Fiscal Officer to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

FINDING NUMBER 2016-009

Significant Deficiency

Severance Payout

The Village's prior Village Administrator received her final paycheck on July 11, 2016 after terminating her position with the Village. Included in her final payout was an amount relating to 96 hours of unpaid holiday leave totaling \$2,215.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-009 (Continued)

Significant Deficiency (Continued)

Severance Payout (Continued)

The Village Employee Handbook does not outline a severance payout relating to unused holiday pay and holiday pay is not an accrued benefit; therefore the prior Village Administrator was overpaid by \$2,215 that has not yet been repaid to the Village. The prior Village Administrator also had a separate contract that entitled her to different and/or additional benefits than other Village employees; however this written agreement was made between the Mayor and the Administrator, and was not formally approved by Village Council.

We recommend the Village ensure final payouts follow the policies as outlined in the Village of Lynchburg Employee Handbook. We also recommend all employee benefits and duties that deviate from Village policies are formally approved by Village Council.

Officials' Response – Officials did not provide a response to the above findings.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LYNCHBURG

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2019**