



Dave Yost • Auditor of State

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

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HIGHLAND COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Lynchburg
Highland County
155 South Main Street
Lynchburg, Ohio 45142

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lynchburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lynchburg, Highland County, Ohio, as of December 31, 2012 and 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction, Maintenance and Repair, Street Construction Levy, and Police Levy funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2011, the Village has elected to change its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We did not modify our opinion regarding this matter.

As discussed in Note 4 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

As discussed in Note 5 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. During 2012, the Village also adopted Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. We did not modify our opinion regarding these matters.

Other Matters

Supplemental and Other Information

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 22, 2013

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**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED**

This discussion and analysis of the Village of Lynchburg's financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2012 and 2011, within the limitations of the Village's cash basis accounting. Since this is the first year the Village has prepared financial statements following the cash basis of accounting, revenue and expense comparisons to fiscal year 2010 are not available. A comparative analysis will be provided in future years when prior year information is available. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2012 and 2011 are as follows:

Net position of governmental activities increased in by \$68,445 or 29 percent in 2012 and by \$64,105 or 37% in 2011, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, due to concentrated effort to keep expenditures to a minimum.

The Village's general receipts are primarily property taxes. These receipts represent 45 percent for 2012 and 46% for 2011 of the total cash received for governmental activities during the year. Property tax receipts for 2012 decreased compared to 2011 due to the loss of a police levy.

Net position of business-type activities increased \$38,371, or 7% percent during 2012, a moderate change from the prior year. Net position of business-type activities increased \$116,411 or 27% during 2011. The sewer operation was the business-type activity most affected by the increase in cash and cash equivalents, due to the collection of special assessments.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the Village did financially during 2012 and 2011, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has three business-type activities, the provision of water and sewer services and trash collection. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the Street Construction and Maintenance fund (only in 2012), the Street Construction Levy fund, and the Police Levy fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major enterprise funds are the Water fund and the Sewer Fund. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Government as a Whole

Table 1 provides a summary of the Village's net position for 2012 compared to 2011 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Cash and Cash Equivalents	\$304,024	\$235,579	\$580,842	\$542,471	\$884,866	\$778,050
Investments					0	0
Total Assets	\$304,024	\$235,579	\$580,842	\$542,471	\$884,866	\$778,050
Net Position						
Restricted for:						
Other Purposes	184,477	155,904			184,477	155,904
Unrestricted	119,547	79,675	580,842	542,471	700,389	622,146
Total Net Position	\$304,024	\$235,579	\$580,842	\$542,471	\$884,866	\$778,050

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED**

As mentioned previously, net position of governmental activities increased \$68,445 or 29 percent during 2012 and increased by \$64,105 or 37% during 2011. The primary reason contributing to the increases in cash balances was an overall decrease in expenditures as part of an ongoing effort to keep expenditures to a minimum.

Table 2 reflects the changes in net position on a cash basis in 2012 and 2011 for governmental activities, business-type activities and total primary government.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$71,704	\$78,519	\$679,166	\$698,135	\$750,870	\$776,654
Operating Grants and Contributions	104,909	129,045			104,909	129,045
Capital Grants and Contributions			110,679	107,386	110,679	107,386
Total Program Receipts	176,613	207,564	789,845	805,521	966,458	1,013,085
General Receipts:						
Property and Other Local Taxes	203,048	247,314			203,048	247,314
Grants and Entitlements Not Restricted to Specific Programs	46,129	60,156			46,129	60,156
Sale of Notes			25,737	249,826	25,737	249,826
Cable Franchise Fees	14,773	15,406			14,773	15,406
Interest	2,418	3,802			2,418	3,802
Miscellaneous	3,346	2,947	18,119	51,794	21,465	54,741
Total General Receipts	269,714	329,625	43,856	301,620	313,570	631,245
Total Receipts	446,327	537,189	833,701	1,107,141	1,280,028	1,644,330
Disbursements:						
General Government	88,910	98,972			88,910	98,972
Security of Persons and Property:	112,131	168,377			112,131	168,377
Public Health Services	4,536	3,512			4,536	3,512
Leisure Time Activities	9,709	13,764			9,709	13,764
Basic Utilities	1,934	2,510			1,934	2,510
Transportation	146,856	142,929			146,856	142,929
Capital Outlay	13,806	35,537			13,806	35,537
Water			239,573	200,644	239,573	200,644
Sewer			465,400	686,446	465,400	686,446
Trash			75,247	87,841	75,247	87,841
Utility Deposit			15,110	15,884	15,110	15,884
Total Disbursements	377,882	465,601	795,330	990,815	1,173,212	1,456,416
Increase (Decrease) in Net Position	68,445	71,588	38,371	116,326	106,816	187,914
Net Position, January 1	235,579	163,991	542,471	426,145	778,050	590,136
Net Position, December 31	<u>\$304,024</u>	<u>\$235,579</u>	<u>\$580,842</u>	<u>\$542,471</u>	<u>\$884,866</u>	<u>\$778,050</u>

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED**

Program receipts represent only 40 percent and 38 percent of total receipts for 2012 and 2011 respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money. These receipts showed a slight decrease due to the general nature of intergovernmental funding.

General receipts represent 60 percent and 61 percent of the Village's total receipts for 2012 and 2011, respectively, and of this amount, over 75 percent are local taxes for both years. State and federal grants and entitlements and cable franchise fees make up the balance of the Village's general receipts (23 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources. Property taxes decreased due to the loss of a police levy in 2012 and a decrease in the sales tax received.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the mayor and fiscal officer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. General Government decreased due to change in coding of the fiscal officer's salary in 2012.

Security of Persons and Property are the costs of police protection and street lighting; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads. Security of Persons and Property decreased due to the expenses for the police canine in 2011.

Capital Outlay decreased due to the smaller number of projects completed in 2012.

Business-type activities derive their receipts from charges for services. These revenues decreased moderately from 2011. Disbursements for business-type activities derive from the following activities: water, sewer, trash collection and utility deposit. Disbursements from water accounts for 30 percent and 20 percent of total enterprise fund disbursements for 2012 and 2011, respectively. Disbursements from sewer accounts for 59 percent and 69 percent of total enterprise fund disbursements for 2012 and 2011 respectively. Trash and utility deposit disbursements account for the remainder of total enterprise fund disbursements. Sewer disbursements decreased due to the decrease in capital outlay for the sewer plant.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The 2012 major program disbursements for governmental activities are for transportation and security of persons and property, which account for 39 and 30 percent of all governmental disbursements, respectively. 2012 General government also represents a significant cost, about 24 percent. . The 2011 major program disbursements for governmental activities are for transportation and security of persons and property, which account for 30 and 36 percent of all governmental disbursements, respectively. 2011 General government also represents a significant cost, about 21 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED**

(Table 3)

Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
General Government	\$88,910	\$59,240	\$98,972	\$65,689
Security of Persons and Property	112,131	55,509	168,377	87,210
Public Health Services	4,536	4,536	3,512	3,512
Leisure Time Activities	9,709	(213)	13,764	1,707
Basic Utilities	1,934	1,934	2,510	2,510
Transportation	146,856	66,457	142,929	61,872
Capital Outlay	13,806	13,806	35,537	35,537
Total Expenses	\$377,882	\$201,269	\$465,601	\$258,037

The dependence upon property tax receipts is apparent as over 53 percent of governmental activities are supported through these general receipts for both 2012 and 2011.

Business-type Activities

The water and sewer operations of the Village routinely reports receipts and cash disbursements that are relatively equal. The sewer receipt is reporting higher activity due to the work on the sewer plant.

The Government's Funds

For 2012 Total governmental funds had receipts of \$446,327 and disbursements of \$377,882. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$39,658 as the result of the decrease in expenditures during 2012. For 2011 Total governmental funds had receipts of \$57,189 and disbursements of \$465,601. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$39,417 as the result of the decrease in expenditures during 2011.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2012 and 2011, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final 2012 disbursements were budgeted at \$202,631 while actual disbursements were \$106,528. The Village kept spending well under budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$38,506 for 2012. Final 2011 disbursements were budgeted at \$254,588 while actual disbursements were \$145,912. The Village kept spending well under budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$38,842 for 2011.

VILLAGE OF LYNCHBURG
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2012, the Village's outstanding debt included \$1,926,547 in OWDA loans and \$173,795 in OPWC loans. For further information regarding the Village's debt, refer to Note 13 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Debbie Mount, Fiscal Officer, Clerk-Treasurer, Village of Lynchburg, 155 South Main Street, Lynchburg, Ohio 45142.

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Village of Lynchburg
Statement of Net Position
December 31, 2012

Assets	Governmental Activities	Business - Type Activities	Total
Equity in Pooled Cash and Cash Equivalents	\$ 304,024	\$ 580,842	\$ 884,866
<i>Total Assets</i>	<u>\$ 304,024</u>	<u>\$ 580,842</u>	<u>\$ 884,866</u>
Net Position			
Restricted for:			
Other Purposes	\$ 184,477	\$ -	\$ 184,477
Unrestricted	119,547	580,842	700,389
<i>Total Net Position</i>	<u>\$ 304,024</u>	<u>\$ 580,842</u>	<u>\$ 884,866</u>

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

Village of Lynchburg
Statement of Activities
For the Fiscal Year Ended December 31, 2012

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$ 112,131	\$ 35,724	\$ 20,898	
Public Health Services	4,536			
Leisure Time Activities	9,709		9,922	
Community Environment				
Basic Utility Services	1,934	-		
Transportation	146,856	6,360	74,039	
General Government	88,910	29,620	50	
Capital Outlay	13,806			
	<u>377,882</u>	<u>71,704</u>	<u>104,909</u>	<u>-</u>
Business Type Activities				
Water	239,573	228,248		
Sewer	465,400	358,739		110,679
Trash	75,247	76,499		
Utility Deposit	15,110	15,680		
	<u>795,330</u>	<u>679,166</u>	<u>-</u>	<u>110,679</u>
<i>Total Business Type Activities</i>				
	<u>\$ 1,173,212</u>	<u>\$ 750,870</u>	<u>\$ 104,909</u>	<u>\$ 110,679</u>

General Receipts

Property Taxes
Grants and Entitlements not Restricted to Specific Programs
Sale of Notes
Cable Franchise Fees
Earnings on Investments
Miscellaneous

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (55,509)		\$ (55,509)
(4,536)		(4,536)
213		213
-		-
(1,934)		(1,934)
(66,457)		(66,457)
(59,240)		(59,240)
(13,806)		(13,806)
<u>(201,269)</u>	<u>-</u>	<u>(201,269)</u>
	(11,325)	(11,325)
	4,018	4,018
	1,252	1,252
	570	570
<u>-</u>	<u>(5,485)</u>	<u>(5,485)</u>
<u>\$ (201,269)</u>	<u>\$ (5,485)</u>	<u>\$ (206,754)</u>
203,048		203,048
46,129		46,129
	25,737	25,737
14,773		14,773
2,418		2,418
3,346	18,119	21,465
<u>269,714</u>	<u>43,856</u>	<u>313,570</u>
68,445	38,371	106,816
<u>235,579</u>	<u>542,471</u>	<u>778,050</u>
<u>\$ 304,024</u>	<u>\$ 580,842</u>	<u>\$ 884,866</u>

Village of Lynchburg
Statement of Cash Basis Assets and Fund Balances - Governmental Funds
December 31, 2012

	General	Street Construction and Maintenance	Street Construction Levy	Police Levy	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 119,604	\$ 51,857	\$ 22,749	\$ 64,783	\$ 45,031	\$ 304,024
<i>Total Assets</i>	<u>119,604</u>	<u>51,857</u>	<u>22,749</u>	<u>64,783</u>	<u>45,031</u>	<u>304,024</u>
Fund Cash Balance, December 31						
Nonspendable	57	-	-	-	-	57
Restricted	-	51,857	22,749	64,783	45,031	184,420
Assigned	1,120	-	-	-	-	1,120
Unassigned (Deficit)	153,626	-	-	-	-	118,427
<i>Fund Cash Balance, December 31</i>	<u>\$ 154,803</u>	<u>\$ 51,857</u>	<u>\$ 22,749</u>	<u>\$ 64,783</u>	<u>\$ 45,031</u>	<u>\$ 304,024</u>

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

Village of Lynchburg
Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds
For the Year Ended December 31, 2012

	General	Street Construction and Maintenance	Street Construction Levy	Police Levy	Remaining Funds	Total
Cash Receipts:						
Property and Other Local Taxes	\$ 52,652		\$ 75,198	\$ 75,197	\$ 6,360	\$ 209,407
Intergovernmental	46,129	53,330	13,204	13,204	25,037	150,904
Special Assessments	26				35,713	35,739
Charges for Services	20,000				10	20,010
Fines, Licenses and Permits	23,360				1,007	24,367
Earnings on Investments	1,868	437			113	2,418
Miscellaneous	522			2,483		3,005
Total Cash Receipts	144,557	53,767	88,402	90,884	68,240	445,850
Cash Disbursements:						
Current:						
Security of Persons and Property	1,127			79,576	31,428	112,131
Public Health Services	4,536					4,536
Leisure Time Activities	9,709					9,709
Basic Utility Services	1,934					1,934
Transportation	-	31,894	102,453		12,509	146,856
General Government	84,186	150	2,287	2,287		88,910
Capital Outlay	3,884				9,922	13,806
Total Cash Disbursements	105,376	32,044	104,740	81,863	53,859	377,882
Total Receipts Over/(Under) Disbursements	39,181	21,723	(16,338)	9,021	14,381	67,968
Other Financing Receipts/(Disbursements):						
Advances In	9,922				9,922	19,844
Advances Out	(9,922)				(9,922)	(19,844)
Other Financing Sources	477					477
Total Other Financing Receipts/(Disbursements)	477	-	-	-	-	477
Net Change in Fund Cash Balances	39,658	21,723	(16,338)	9,021	14,381	68,445
Fund Cash Balance, January 1	79,946	30,134	39,087	55,762	30,650	235,579
Fund Cash Balance, December 31						
Nonspendable	57	-	-	-	-	57
Restricted	-	51,857	22,749	64,783	45,031	184,420
Assigned	1,120	-	-	-	-	1,120
Unassigned (Deficit)	118,427	-	-	-	-	118,427
Fund Cash Balance, December 31	\$ 119,604	\$ 51,857	\$ 22,749	\$ 64,783	\$ 45,031	\$ 304,024

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

Village of Lynchburg
Statement of Fund Net Position - Cash Basis - Proprietary Funds
December 31, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 125,489	\$ 398,979	\$ 56,374	\$ 580,842
<i>Total Assets</i>	<u>125,489</u>	<u>398,979</u>	<u>56,374</u>	<u>580,842</u>
Net Position				
Unrestricted	125,489	398,979	56,374	580,842
<i>Total Net Assets</i>	<u>\$ 125,489</u>	<u>\$ 398,979</u>	<u>\$ 56,374</u>	<u>\$ 580,842</u>

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

Village of Lynchburg
Statement of Receipts, Disbursements, and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2012

	Water	Sewer	Remaining Funds	Combined Enterprise
Operating Cash Receipts:				
Charges for Services	\$ 228,163	\$ 338,737	\$ 92,178	\$ 659,078
Total Operating Cash Receipts	<u>228,163</u>	<u>338,737</u>	<u>92,178</u>	<u>659,078</u>
Operating Cash Disbursements:				
Personal Services	33,063	71,272	2,250	106,585
Employee Fringe Benefits	8,149	27,077		35,226
Contractual Services	56,890	84,029	72,497	213,416
Supplies and Materials	44,480	35,334		79,814
Other	16	747	15,610	16,373
Total Operating Cash Disbursements	<u>142,598</u>	<u>218,459</u>	<u>90,357</u>	<u>451,414</u>
Operating Income/(Loss)	<u>85,565</u>	<u>120,278</u>	<u>1,821</u>	<u>207,664</u>
Non-Operating Receipts/Disbursements				
Special Assessments	85	130,682		130,767
Sale of Notes		25,737		25,737
Miscellaneous Receipts	5,826	11,052	1,097	17,975
Capital Outlay	(4,795)	(28,808)		(33,603)
Principal Retirement	(66,590)	(196,100)		(262,690)
Interest and Other Fiscal Charges	(25,590)	(22,033)		(47,623)
Other Financing Sources	144	-		144
Total Non-Operating Receipts/Disbursements	<u>(90,920)</u>	<u>(79,470)</u>	<u>1,097</u>	<u>(169,293)</u>
Net Change in Fund Cash Balances	<u>(5,355)</u>	<u>40,808</u>	<u>2,918</u>	<u>38,371</u>
Fund Cash Balance, January 1	<u>130,844</u>	<u>358,171</u>	<u>53,456</u>	<u>542,471</u>
Fund Cash Balance, December 31	<u><u>\$ 125,489</u></u>	<u><u>\$ 398,979</u></u>	<u><u>\$ 56,374</u></u>	<u><u>\$ 580,842</u></u>

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

Village of Lynchburg
Statement of Fund Net Position - Cash Basis - Fiduciary Funds
December 31, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 148
<i>Total Assets</i>	<u>148</u>
Net Position	
Held on Behalf of Mayor's Court	148
<i>Total Net Position</i>	<u>\$ 148</u>

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

Village of Lynchburg
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

	Budget Amounts		Actual	Variance
	Original	Final		
Receipts				
Property Taxes	\$ 50,000.00	\$ 50,000.00	\$ 52,652.00	\$ 2,652.00
Intergovernmental	41,075	41,075	46,129	5,054
Special Assessments	-	-	26	26
Charges for Services	20,000	20,000	20,000	-
Fines, Licenses, Permits	35,000	30,287	23,360	(6,927)
Earnings on Investments	2,000	2,000	1,868	(132)
Miscellaneous	6,655	6,740	522	(6,218)
Total Receipts	<u>154,730</u>	<u>150,102</u>	<u>144,557</u>	<u>(5,545)</u>
Disbursements				
Current:				
Security of Persons and Property	227	20,077	1,127	18,950
Public Health Services	6,000	7,000	4,536	2,464
Leisure Time Activities	16,700	12,000	10,584	1,416
Basic Utility Services	5,000	3,700	1,934	1,766
Transportation				
General Government	201,173	154,854	84,431	70,423
Capital Outlay	10,000	5,000	3,916	1,084
Total Disbursements	<u>239,100</u>	<u>202,631</u>	<u>106,528</u>	<u>96,103</u>
Excess of Receipts Over (Under) Disbursements	(84,370)	(52,529)	38,029	90,558
Other Financing Sources (Uses)				
Advances Out	-	9,922	9,922	-
Advances Out	(9,922)	(9,922)	(9,922)	-
Other Financing Sources	-	-	477	477
Total Other Financing Sources (Uses)	<u>(9,922)</u>	<u>-</u>	<u>477</u>	<u>477</u>
Net Change in Fund Balance	<u>(94,292)</u>	<u>(52,529)</u>	<u>38,506</u>	<u>91,035</u>
Unencumbered Fund Balance Beginning of Year	79,371	79,371	79,371	-
Prior Year Encumbrances Appropriated	575	575	575	-
Unencumbered Fund Balance End of Year	<u><u>\$ (14,346.00)</u></u>	<u><u>\$ 27,417.00</u></u>	<u><u>\$ 118,452.00</u></u>	<u><u>\$ 91,035.00</u></u>

See accompanying notes to the basic financial statements.

Village of Lynchburg
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual - Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2012

	Budget Amounts		Actual	Variance
	Original	Final		
Receipts				
Intergovernmental	\$ 42,000.00	\$ 42,000.00	\$ 53,330.00	\$ 11,330.00
Earnings on Investments	500	500	437	(63)
Total Receipts	<u>42,500</u>	<u>42,500</u>	<u>53,767</u>	<u>11,267</u>
Disbursements				
Current:				
Transportation	63,581	63,581	32,252	31,329
General Government	2,000	2,000	150	1,850
Capital Outlay	2,000	2,000	32	1,968
Total Disbursements	<u>67,581</u>	<u>67,581</u>	<u>32,434</u>	<u>35,147</u>
Excess of Receipts Over (Under) Disbursements	(25,081)	(25,081)	21,333	46,414
Unencumbered Fund Balance Beginning of Year	30,134	30,134	30,134	-
Prior Year Encumbrances Appropriated	-	-	-	-
Unencumbered Fund Balance End of Year	<u><u>\$ 5,053.00</u></u>	<u><u>\$ 5,053.00</u></u>	<u><u>\$ 51,467.00</u></u>	<u><u>\$ 46,414.00</u></u>

See accompanying notes to the basic financial statements.

Village of Lynchburg
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual - Budget Basis
Street Construction Levy Fund
For the Year Ended December 31, 2012

	Budget Amounts		Actual	Variance
	Original	Final		
Receipts				
Property Taxes	\$ 69,210.00	\$ 69,210.00	\$ 75,198.00	\$ 5,988.00
Intergovernmental	12,000	12,000	13,204	1,204
Total Receipts	<u>81,210</u>	<u>81,210</u>	<u>88,402</u>	<u>7,192</u>
Disbursements				
Current:				
Transportation	117,200	117,200	104,362	12,838
General Government	3,000	3,000	2,287	713
Total Disbursements	<u>120,200</u>	<u>120,200</u>	<u>106,649</u>	<u>13,551</u>
Excess of Receipts Over (Under) Disbursements	(38,990)	(38,990)	(18,247)	20,743
Other Financing Sources (Uses)				
Unencumbered Fund Balance Beginning of Year	39,087	39,087	39,087	-
Prior Year Encumbrances Appropriated	-	-	-	-
Unencumbered Fund Balance End of Year	<u>\$ 97.00</u>	<u>\$ 97.00</u>	<u>\$ 20,840.00</u>	<u>\$ 20,743.00</u>

See accompanying notes to the basic financial statements.

Village of Lynchburg
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual - Budget Basis
Police Levy Fund
For the Year Ended December 31, 2012

	Budget Amounts		Actual	Variance
	Original	Final		
Receipts				
Property Taxes	\$ 72,910.00	\$ 72,910.00	\$ 75,197.00	\$ 2,287.00
Intergovernmental	8,300	8,300	13,204	4,904
Miscellaneous	-	-	2,483	2,483
Total Receipts	<u>81,210</u>	<u>81,210</u>	<u>90,884</u>	<u>9,674</u>
Disbursements				
Current:				
Security of Persons and Property	105,662	105,662	79,776	25,886
General Government	3,600	3,600	2,287	1,313
Total Disbursements	<u>109,262</u>	<u>109,262</u>	<u>82,063</u>	<u>27,199</u>
Excess of Receipts Over (Under) Disbursements	(28,052)	(28,052)	8,821	36,873
Unencumbered Fund Balance Beginning of Year	55,762	55,762	55,762	-
Unencumbered Fund Balance End of Year	<u>\$ 27,710.00</u>	<u>\$ 27,710.00</u>	<u>\$ 64,583.00</u>	<u>\$ 36,873.00</u>

See accompanying notes to the basic financial statements.

Village of Lynchburg
Statement of Net Position
December 31, 2011

Assets	Governmental Activities	Business - Type Activities	Total
Equity in Pooled Cash and Cash Equivalents	\$ 235,579.00	\$ 542,471.00	\$ 778,050.00
<i>Total Assets</i>	<u>235,579</u>	<u>542,471</u>	<u>778,050</u>
Net Position			
Restricted for:			
Other Purposes	155,904	-	155,904
Unrestricted	79,675	542,471	622,146
<i>Total Net Position</i>	<u>\$ 235,579.00</u>	<u>\$ 542,471.00</u>	<u>\$ 778,050.00</u>

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

Village of Lynchburg
Statement of Activities
For the Fiscal Year Ended December 31, 2011

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$ 168,377.00	\$ 38,811.00	\$ 42,356.00	
Public Health Services	3,512			
Leisure Time Activities	13,764		12,057	
Community Environment				
Basic Utility Services	2,510			
Transportation	142,929	6,465	74,592	
General Government	98,972	33,243	40	
Capital Outlay	35,537			
<i>Total Governmental Activities</i>	465,601	78,519	129,045	-
Business Type Activities				
Water	200,644	219,366		
Sewer	686,446	365,155		107,386
Trash	87,841	99,214		
Utility Deposit	15,884	14,400		
<i>Total Business Type Activities</i>	990,815	698,135	-	107,386
<i>Total Primary Government</i>	<u>\$ 1,456,416.00</u>	<u>\$ 776,654.00</u>	<u>\$ 129,045.00</u>	<u>\$ 107,386.00</u>

General Receipts

Property Taxes
Grants and Entitlements not Restricted to Specific Programs
Sale of Notes
Cable Franchise Fees
Earnings on Investments
Miscellaneous

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (87,210.00)		\$ (87,210.00)
(3,512)		(3,512)
(1,707)		(1,707)
-		-
(2,510)		(2,510)
(61,872)		(61,872)
(65,689)		(65,689)
(35,537)		(35,537)
<u>(258,037)</u>	<u>-</u>	<u>(258,037)</u>
	18,722	18,722
	(213,905)	(213,905)
	11,373	11,373
	(1,484)	(1,484)
<u>-</u>	<u>(185,294)</u>	<u>(185,294)</u>
<u>\$ (258,037.00)</u>	<u>\$ (185,294.00)</u>	<u>\$ (443,331.00)</u>
247,314		247,314
60,156		60,156
	249,826	249,826
15,406		15,406
3,802		3,802
2,947	51,794	54,741
<u>329,625</u>	<u>301,620</u>	<u>631,245</u>
71,588	116,326	187,914
<u>163,991</u>	<u>426,145</u>	<u>590,136</u>
<u>\$ 235,579.00</u>	<u>\$ 542,471.00</u>	<u>\$ 778,050.00</u>

Village of Lynchburg
Statement of Cash Basis Assets and Fund Balances - Governmental Funds
December 31, 2011

	General	Street Construction Levy	Police Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 79,946.00	\$ 39,087.00	\$ 55,762.00	\$ 60,784.00	\$ 235,579.00
<i>Total Assets</i>	<u>79,946</u>	<u>39,087</u>	<u>55,762</u>	<u>60,784</u>	<u>235,579</u>
Fund Cash Balance, December 31					
Nonspendable	44	-	-	-	44
Restricted	227	39,087	55,762	60,784	155,860
Assigned	600	-	-	-	600
Unassigned (Deficit)	79,075	-	-	-	79,075
<i>Fund Cash Balance, December 31</i>	<u>\$ 79,946.00</u>	<u>\$ 39,087.00</u>	<u>\$ 55,762.00</u>	<u>\$ 60,784.00</u>	<u>\$ 235,579.00</u>

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

Village of Lynchburg
Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds
For the Year Ended December 31, 2011

	General	Street Construction Levy	Police Levy	Remaining Funds	Total
Cash Receipts:					
Property and Other Local Taxes	\$ 53,382.00	\$ 76,266.00	\$ 117,667.00	\$ 6,465.00	\$ 253,780.00
Intergovernmental	60,156	13,110	20,632	74,818	168,716
Special Assessments	-			31,328	31,328
Charges for Services	20,000			-	20,000
Fines, Licenses and Permits	25,730			2,919	28,649
Earnings on Investments	2,715			1,087	3,802
Miscellaneous	20,953	450	110	7,583	29,096
Total Cash Receipts	182,936	89,826	138,409	124,200	535,371
Cash Disbursements:					
Current:					
Security of Persons and Property	14,818		118,987	34,572	168,377
Public Health Services	3,512				3,512
Leisure Time Activities	11,685			2,079	13,764
Basic Utility Services	2,510				2,510
Transportation	-	69,591		73,338	142,929
General Government	92,629	2,318	3,567	458	98,972
Capital Outlay	20,183			15,354	35,537
Total Cash Disbursements	145,337	71,909	122,554	125,801	465,601
Total Receipts Over/(Under) Disbursements	37,599	17,917	15,855	(1,601)	69,770
Other Financing Receipts/(Disbursements):					
Advances In	10,642			10,642	21,284
Advances Out	(10,642)			(10,642)	(21,284)
Other Financing Sources	1,818				1,818
Total Other Financing Receipts/(Disbursements)	1,818	-	-	-	1,818
Net Change in Fund Cash Balances	39,417	17,917	15,855	(1,601)	71,588
Fund Cash Balance, January 1	40,529	21,170	39,907	62,385	163,991
Fund Cash Balance, December 31					
Nonspendable	44	-	-	-	44
Restricted	227	39,087	55,762	60,784	155,860
Assigned	600	-	-	-	600
Unassigned (Deficit)	79,075	-	-	-	79,075
Fund Cash Balance, December 31	\$ 79,946.00	\$ 39,087.00	\$ 55,762.00	\$ 60,784.00	\$ 235,579.00

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

Village of Lynchburg
Statement of Fund Net Position - Cash Basis - Proprietary Funds
December 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 130,844.00	\$ 358,171.00	\$ 53,456.00	\$ 542,471.00
<i>Total Assets</i>	<u>130,844</u>	<u>358,171</u>	<u>53,456</u>	<u>542,471</u>
Net Position				
Unrestricted	130,844	358,171	53,456	542,471
<i>Total Net Position</i>	<u>\$ 130,844.00</u>	<u>\$ 358,171.00</u>	<u>\$ 53,456.00</u>	<u>\$ 542,471.00</u>

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

Village of Lynchburg
Statement of Receipts, Disbursements, and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2011

	Water	Sewer	Remaining Funds	Combined Enterprise
Operating Cash Receipts:				
Charges for Services	\$ 219,366.00	\$ 346,146.00	\$ 113,614.00	\$ 679,126.00
Total Operating Cash Receipts	219,366	346,146	113,614	679,126
Operating Cash Disbursements:				
Personal Services	27,574	66,610	-	94,184
Employee Fringe Benefits	8,203	30,566		38,769
Contractual Services	49,929	111,865	87,508	249,302
Supplies and Materials	20,416	37,297		57,713
Other	9	546	16,217	16,772
Total Operating Cash Disbursements	106,131	246,884	103,725	456,740
Operating Income/(Loss)	113,235	99,262	9,889	222,386
Non-Operating Receipts/Disbursements				
Special Assessments	-	126,395		126,395
Sale of Notes	-	249,826		249,826
Miscellaneous Receipts	6,809	10,635	1,143	18,587
Capital Outlay	(2,333)	(252,642)		(254,975)
Principal Retirement	(63,428)	(160,059)		(223,487)
Interest and Other Fiscal Charges	(28,752)	(26,861)		(55,613)
Other Financing Sources	10,349	22,858		33,207
Total Non-Operating Receipts/Disbursements	(77,355)	(29,848)	1,143	(106,060)
Net Change in Fund Cash Balances	35,880	69,414	11,032	116,326
Fund Cash Balance, January 1	94,964	288,757	42,424	426,145
Fund Cash Balance, December 31	\$ 130,844.00	\$ 358,171.00	\$ 53,456.00	\$ 542,471.00

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

Village of Lynchburg
Statement of Fund Net Position - Cash Basis - Fiduciary Funds
December 31, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,340.00
<i>Total Assets</i>	<u>1,340</u>
Net Position	
Held on Behalf of Mayor's Court	1,340
<i>Total Net Position</i>	<u>\$ 1,340.00</u>

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

Village of Lynchburg
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011

	Budget Amounts		Actual	Variance
	Original	Final		
Receipts				
Property Taxes	\$ 50,000.00	\$ 50,000.00	\$ 53,382.00	\$ 3,382.00
Intergovernmental	56,530	56,530	60,156	3,626
Charges for Services	20,000	20,000	20,000	-
Fines, Licenses, Permits	6,000	35,879	25,730	(10,149)
Earnings on Investments	1,000	1,000	2,715	1,715
Miscellaneous	21,300	38,584	20,953	(17,631)
Total Receipts	<u>154,830</u>	<u>201,993</u>	<u>182,936</u>	<u>(19,057)</u>
Disbursements				
Current:				
Security of Persons and Property	10,000	19,000	14,818	4,182
Public Health Services	3,000	3,513	3,512	1
Leisure Time Activities	15,900	15,900	11,685	4,215
Basic Utility Services	6,165	6,165	2,510	3,655
Transportation				
General Government	127,526	184,710	93,204	91,506
Capital Outlay	15,000	25,300	20,183	5,117
Total Disbursements	<u>177,591</u>	<u>254,588</u>	<u>145,912</u>	<u>108,676</u>
Excess of Receipts Over (Under) Disbursements	(22,761)	(52,595)	37,024	89,619
Other Financing Sources (Uses)				
Advances Out	-	-	10,642	10,642
Advances Out	(10,642)	(10,642)	(10,642)	-
Other Financing Sources	35,000	35,000	1,818	(33,182)
Total Other Financing Sources (Uses)	<u>24,358</u>	<u>24,358</u>	<u>1,818</u>	<u>(22,540)</u>
Net Change in Fund Balance	<u>1,597</u>	<u>(28,237)</u>	<u>38,842</u>	<u>67,079</u>
Unencumbered Fund Balance Beginning of Year	40,188	40,188	40,188	-
Prior Year Encumbrances Appropriated	341	341	341	-
Unencumbered Fund Balance End of Year	<u>\$ 42,126.00</u>	<u>\$ 12,291.61</u>	<u>\$ 79,370.97</u>	<u>\$ 67,079.36</u>

See accompanying notes to the basic financial statements.

Village of Lynchburg
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual - Budget Basis
Street Construction Levy Fund
For the Year Ended December 31, 2011

	Budget Amounts		Actual	Variance
	Original	Final		
Receipts				
Property Taxes	\$ 68,890.00	\$ 68,890.00	\$ 76,266.00	\$ 7,376.00
Intergovernmental	13,000	13,000	13,110	110
Miscellaneous	-	-	450	450
Total Receipts	<u>81,890</u>	<u>81,890</u>	<u>89,826</u>	<u>7,936</u>
Disbursements				
Current:				
Transportation	96,000	96,700	69,591	27,109
General Government	4,000	3,300	2,318	982
Total Disbursements	<u>100,000</u>	<u>100,000</u>	<u>71,909</u>	<u>28,091</u>
Excess of Receipts Over (Under) Disbursements	<u>(18,110)</u>	<u>(18,110)</u>	<u>17,917</u>	<u>36,027</u>
Unencumbered Fund Balance Beginning of Year	21,170	21,170	21,170	-
Unencumbered Fund Balance End of Year	<u>\$ 3,060.00</u>	<u>\$ 3,060.00</u>	<u>\$ 39,087.00</u>	<u>\$ 36,027.00</u>

See accompanying notes to the basic financial statements.

Village of Lynchburg
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual - Budget Basis
Police Levy Fund
For the Year Ended December 31, 2011

	Budget Amounts		Actual	Variance
	Original	Final		
Receipts				
Property Taxes	\$ 106,100.00	\$ 111,100.00	\$ 117,667.00	\$ 6,567.00
Intergovernmental	20,000	20,000	20,632	632
Miscellaneous	-	-	110	110
Total Receipts	<u>126,100</u>	<u>131,100</u>	<u>138,409</u>	<u>7,309</u>
Disbursements				
Current:				
Security of Persons and Property	129,300	136,300	118,987	17,313
General Government	5,000	4,000	3,567	433
Total Disbursements	<u>134,300</u>	<u>140,300</u>	<u>122,554</u>	<u>17,746</u>
Excess of Receipts Over (Under) Disbursements	(8,200)	(9,200)	15,855	25,055
Unencumbered Fund Balance Beginning of Year	39,907	39,907	39,907	-
Prior Year Encumbrances Appropriated	-	-	-	-
Unencumbered Fund Balance End of Year	<u><u>\$ 31,707.00</u></u>	<u><u>\$ 30,707.00</u></u>	<u><u>\$ 55,762.00</u></u>	<u><u>\$ 25,055.00</u></u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 1 - Reporting Entity

The Village of Lynchburg (the Village) 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. The Village is directed by a six-member council elected at large for four year terms.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Lynchburg provides the following services to its citizens: police protection, parks and recreation, street maintenance and repairs, water, sewer and refuse collection. Council has direct responsibility for these services.

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

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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 in three categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General 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.

Street Construction Maintenance and Repair (2012 only) 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 maintenance and repair of streets within the Village.

Street Construction Levy Fund The street construction levy fund accounts for and reports that portion of tax money for construction, maintain and repairing Village streets.

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

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major 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.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Village funds according to State statutes. Interest receipts credited to the General Fund during 2012 was \$1,868 which includes \$1,502 assigned from other Village funds. Interest receipts credited to the General Fund during 2011 was \$2,715 which includes \$2,235 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street maintenance, police operations, park maintenance, street lights and utilities.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Net Position/Fund Equity

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. Since this is the first year the Village has prepared financial statements following the cash basis of accounting, revenue and expense comparisons to fiscal year 2010 are not available. A comparative analysis will be provided in future years when prior year information is available.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 4 – Change in Accounting Principle and Restatement of Net Position/Fund Equity

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 no effect on fund balances of the major governmental funds and all other governmental funds.

Note 5 – Change in Accounting Principles

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village's 2011 financial statements; however, there was no effect on beginning net position/fund balance. During 2012, the District implemented GASB Statement No. 62 *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Property Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in Paragraph 7 of that statement for business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. Gasb Statement No. 62 had no impact on the District's net position, changes in net position or financial reporting disclosures.

Note 6 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, the street construction, maintenance and repair fund, the street levy fund, and the police fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at December 31, 2012 (budgetary basis) amounted to \$1,152 for the general fund; \$390 for street construction, maintenance and repair fund; \$1,909 for street levy fund; and \$200 for police levy fund. The encumbrances outstanding at December 31, 2011 (budgetary basis) amounted to \$575 for the general fund.

Note 7 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 7 – Deposits and Investments (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Village had \$300 in undeposited cash on hand for 2012 and \$219 for 2011 which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 7 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2012, \$222,305 of the Village's bank balance of \$885,014 and at December 31, 2011, \$79,935 of the Village's bank balance of \$779,390 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 8 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2012, was \$57 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	\$17,796,050
Public Utility Personal Property	<u>245,800</u>
Total	<u><u>\$18,041,850</u></u>

The full tax rate for all Village operations for the year ended December 31, 2011, was \$60 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 8 - Property Taxes (Continued)

Real Property	\$17,830,530
Public Utility Personal Property	<u>241,940</u>
 Total	 <u><u>\$18,072,470</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 9 – Advances

Advances at year end, consisted of the following:

	2012		2011	
	Advance to Other Funds	Advance from Other Funds	Advance to Other Funds	Advance from Other Funds
Major Funds				
General Fund	\$ 9,922	\$ 9,922	\$ 10,642	\$ 10,642
Other Governmental Funds				
Parks and Recreation	<u>9,922</u>	<u>9,922</u>	<u>10,642</u>	<u>10,642</u>
<i>Total Governmental Activities</i>	<u><u>\$ 19,844</u></u>	<u><u>\$ 19,844</u></u>	<u><u>\$ 21,284</u></u>	<u><u>\$ 21,284</u></u>

Advances during 2012 and 2011, consisted of \$9,922 and \$10,642, respectively, advanced to other governmental funds to provide working capital for park operations or projects. Advances were repaid during the year.

Note 10 - Risk Management

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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 ARPCO. 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, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 10 - Risk Management (Continued)

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.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$18,000.

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>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$19,741	\$19,269

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.

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 10 - Risk Management (Continued)

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. The firm of Burnham Flowers provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS Administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment if self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town St., Columbus, OH 43215-4642 or by calling (614)222-6705.

For the year ended December 31, 2012, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2012 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012 and 2011 were \$33,324 and \$32,945, respectively. 100 percent has been contributed for 2012 and 2011.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 11 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent, respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2012 and 2011 were \$6,090 and \$12,027, respectively. 100 percent has been contributed for 2012 and 2011.

Note 12 - Postemployment Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employer units to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 12 - Postemployment Benefits (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 2011, and 2010, local government employer units contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during the calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The employer contributions that were used to fund post-employment benefits for the years ended December 31, 2012 and 2011 were \$5,554 and \$5,491, respectively. The full amount has been contributed for 2012 and 2011.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, or each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 12 - Postemployment Benefits (Continued)

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F for the years ending December 31, 2012 and 2011 were \$6,090 and \$12,027, respectively, of which \$2,107 and \$4,161, respectively, was allocated to the healthcare plan.

Note 13 - Debt

The changes in the Village's long-term debt during 2012 were as follows:

	Outstanding 12/31/11	Additions	Deletions	Outstanding 12/31/12	Due in One Year
OWDA Loans:					
Safe Water #1372	\$173,495	\$0	\$53,658	\$119,837	\$57,929
Water Treatment Plant & Collection #2776	161,247		52,690	108,557	53,744
Water Treatment Plant #3037	351,743		34,892	316,851	37,164
Water Treatment Plant Supplement #3038	9,449		930	8,519	993
WWTP Improvement Phase 1 #4982	439,113		21,254	417,859	21,574
WWTP Improvement Phase 2 #5268**	980,231	25,737	61,474	944,494	
OPWC Loans:					
Water Tower #CO18D	55,700		4,843	50,857	4,843
Sanitary Sewer Improvements #CO06K	105,913		5,725	100,188	5,725
WWTP Improvements #CT43L	24,050		1,300	22,750	1,300
Lease: Water Meter Lease	55,191		25,924	29,267	25,924
Total Business-Type Activities	\$2,356,132	\$25,737	\$262,690	\$2,119,179	\$209,196

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 13 – Debt (Continued)

The changes in the Village's long-term debt during 2011 were as follows:

	Outstanding 12/31/10	Additions	Deletions	Outstanding 12/31/11	Due in One Year
OWDA Loans:					
Safe Water #1372	\$223,197	\$0	\$49,702	\$173,495	\$53,658
Water Treatment Plant & Collection #2776	212,904		51,657	161,247	52,690
Water Treatment Plant #3037	384,502		32,759	351,743	34,892
Water Treatment Plant Supplement #3038	10,321		872	9,449	930
WWTP Improvement Phase 1 #4982	460,051		20,938	439,113	21,254
WWTP Improvement Phase 2 #5268**	761,141	249,826	30,736	980,231	61,474
OPWC Loans:					
Water Tower #CO18D	60,543		4,843	55,700	4,843
Sanitary Sewer Improvements #CO06K	111,638		5,725	105,913	5,725
WWTP Improvements #CT43L	25,350		1,300	24,050	1,300
Lease: Water Meter Lease	80,145		24,954	55,191	25,924
Total Business-Type Activities	<u>\$2,329,792</u>	<u>\$249,826</u>	<u>\$223,486</u>	<u>\$2,356,132</u>	<u>\$262,690</u>

The Ohio Water Development Authority (OWDA) loans relate to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The OWDA approved and disbursed \$3,365,744 in prior years and an additional \$275,563 during the audit period in loans on the Villages behalf for this project, which will be paid in semi-annual installments ranging from 24 to 30 years. These loans are secured by utility fund customer charges for services. Amortization schedules for certain OWDA loans are not yet complete.

The Ohio Public Works Commission (OPWC) loans relate to a water tower replacement project. The OPWC approved and disbursed on the Village's behalf a total loan of \$237,369 in prior years, which will be paid in semi-annual installments for a term of 20 years.

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

Year ending December 31:	OWDA*	OPWC
2013	\$210,657	\$11,868
2014	210,657	11,868
2015	87,273	11,868
2016	87,273	11,868
2017	87,273	11,868
2018-2022	258,299	59,343
2023-2027	139,587	37,548
2028-2030	69,793	17,563
Total	<u>\$1,150,812</u>	<u>\$173,794</u>

*The OWDA loans have not been fully drawn as of December 31, 2012. As such, a final amortization schedule is not available.

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 13 – Debt (Continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2012, were an overall debt margin of \$7,822,676 and an unvoted debt margin of \$18,042.

Note 14 – Leases

The Village leases water meters under non-cancelable leases. The Village disbursed \$27,980 each year to pay lease costs for the years ended December 31, 2012 and 2011. Future lease payments are as follows:

Year	Amount
2013	\$27,980
Total	<u>\$27,980</u>

Note 15 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2012 are presented below:

Fund Balances	General Fund	Street Construction and Maintenance Fund	Street Levy Fund	Police Levy Fund	Other Governmental Funds	Total
Nonspendable						
Unclaimed funds	\$57					\$57
<i>Total Nonspendable</i>	<u>57</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>57</u>
Restricted for						
Road Improvements		51,857	22,749		5,567	80,173
Police Operations				64,783	993	65,776
Drug and Alcohol Education					1,640	1,640
Street Lights					27,199	27,199
Disaster Relief					7,610	7,610
Covered Bridge					2,022	2,022
<i>Total Restricted</i>	<u>0</u>	<u>51,857</u>	<u>22,749</u>	<u>64,783</u>	<u>45,031</u>	<u>184,420</u>
Assigned to						
Other Purposes	1,120					1,120
<i>Total Assigned</i>	<u>1,120</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,120</u>
Unassigned (deficits):	118,427					118,427
<i>Total Fund Balances</i>	<u>\$119,604</u>	<u>\$51,857</u>	<u>\$22,749</u>	<u>\$64,783</u>	<u>\$45,031</u>	<u>\$304,024</u>

The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2011 are presented below:

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 15 – Fund Balances (Continued)

Fund Balances	General Fund	Street Levy Fund	Police Levy Fund	Other Governmental Funds	Total
Nonspendable					
Unclaimed funds	\$44				\$44
<i>Total Nonspendable</i>	44	0	0	0	44
Restricted for					
Road Improvements		39,087		34,232	73,319
Police Operations			55,762	479	56,241
Drug and Alcohol Education				1,851	1,851
Street Lights				22,200	22,200
Covered Bridge				2,022	2,022
Drug Dog	227				227
<i>Total Restricted</i>	227	39,087	55,762	60,784	155,860
Assigned to					
Other Purposes	600				600
<i>Total Assigned</i>	600	0	0	0	600
Unassigned (deficits):	79,075				79,075
<i>Total Fund Balances</i>	<u>\$79,946</u>	<u>\$39,087</u>	<u>\$55,762</u>	<u>\$60,784</u>	<u>\$235,579</u>

Note 16 – Public Entity Risk Pool

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 Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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 ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.



Dave Yost • Auditor of State

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

Village of Lynchburg
Highland County
155 South Main Street
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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lynchburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 22, 2013, wherein we noted the Village implemented GASB Statement No. *Governmental Accounting Standards Board Statement No. 54, Fund Balance and Governmental Fund Type Definitions*, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30 1989 FASB and AICPA Pronouncements*.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

July 22, 2013

**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Significant Deficiency

Ohio Administrative Code section 117-2-02 requires all public officials to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Village lacked management oversight in the proper reporting of Water and Sewer Debt funds, Water Capital Improvement fund, Street Light fund, and utility late fee charges on the financial statements. This lack of oversight is illustrated by the following conditions:

- Water Debt fund was classified as a Governmental debt service fund instead of an Enterprise fund during 2012 and 2011 resulting in an adjustment of receipts and disbursements in the amount of \$59,356 for each year.
- Sewer Debt fund was classified as a Governmental debt service fund instead of an Enterprise fund during 2012 and 2011 resulting in an adjustment of receipts and disbursements in the amount of \$121,718 and \$121,240, respectively.
- Water Capital Improvement fund was classified as a Governmental Capital Projects fund instead of an Enterprise fund during 2012 and 2011 resulting in an adjustment of receipts and disbursements in the amount of \$2,554 and \$4,843, respectively.
- Street Light Assessment fund was classified as an Enterprise fund instead of a Governmental fund during 2012 and 2011 resulting in an adjustment of receipts and disbursements in the amount of \$35,723 and \$32,057, respectively.
- Mayor's Court fund was mapped into the General fund during 2012 and 2011 resulting in an adjustment of receipts and disbursements in the amount of \$10,479 and \$14,473, respectively.
- Late fees and other miscellaneous charges on utility bills were reported in the General fund instead of the corresponding Enterprise fund during 2012 and 2011 resulting in an adjustment to miscellaneous receipts of \$17,905 and \$17,294, respectively.

Audit adjustments were made to the Village's financial statements and accounting records to properly account for the above errors.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make informed financial decisions. We recommend officials monitor the posting of transactions ensure that transactions are being posted to the correct account codes.

Officials' Response:

Officials did not respond to this finding.

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**VILLAGE OF LYNCHBURG
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Several reclassifications and adjustments identified.	No	2012-001
2010-002	ORC 5705.36(A)(4) Appropriations exceeded available resources.	Yes	

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Dave Yost • Auditor of State

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
AUGUST 20, 2013