

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2004 and 2003



Mary Taylor, CPA

Auditor of State

Members of Council and Mayor
Village of Lithopolis
33 North Market Street
P. O. Box 278
Lithopolis, Ohio 43136-0278

We have reviewed the *Independent Auditor's Report* of the Village of Lithopolis, Fairfield County, prepared by Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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Mary Taylor, CPA
Auditor of State

June 5, 2007

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**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Lithopolis
Fairfield County
33 North Market Street
P.O. Box 278
Lithopolis, Ohio 43136-0278

We have audited the accompanying financial statements of the Village of Lithopolis, Fairfield County, as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Village of Lithopolis' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed more fully in Note 2, the Village of Lithopolis has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village of Lithopolis to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village of Lithopolis does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Lithopolis has elected not to reformat its statements. Since the Village of Lithopolis does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Lithopolis as of December 31, 2004, or its changes in financial position, or cashflows, where applicable, thereof for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Lithopolis, Fairfield County, Ohio as of December 31, 2004 and 2003, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the basis of accounting described in Note 2.

The aforementioned revision to generally accepted accounting principles also requires the Village of Lithopolis to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village of Lithopolis has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2007, on our consideration of the Village of Lithopolis' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 12, 2007

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2004 AND 2003

<u>Cash and Cash Equivalents</u>	2004	2003
Cash and Cash Equivalents	\$ 1,066,652	\$ 1,016,432
Total Cash and Cash Equivalents	\$ 1,066,652	\$ 1,016,432
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 77,053	\$ 88,777
Special Revenue Funds	63,311	38,021
Total Governmental Fund Types	140,364	126,798
<u>Proprietary Fund Type:</u>		
Enterprise Fund	923,608	887,975
Total Proprietary Fund Type	923,608	887,975
<u>Fiduciary Fund Type:</u>		
Agency Fund	2,680	1,659
Total Fiduciary Fund Type	2,680	1,659
Total Fund Balances	\$ 1,066,652	\$ 1,016,432

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 114,188	\$ 12,077	\$ 126,265
Intergovernmental	40,444	13,329	53,773
Charges for services	375	-	375
Fines, licenses, and permits	159,994	47,289	207,283
Interest	5,439	-	5,439
Miscellaneous	14,265	-	14,265
Total cash receipts	<u>334,705</u>	<u>72,695</u>	<u>407,400</u>
Cash disbursements:			
Current:			
Security of persons and property	139,221	7,500	146,721
Transportation	-	37,308	37,308
General government	222,382	2,597	224,979
Capital outlay	7,326	-	7,326
Total cash disbursements	<u>368,929</u>	<u>47,405</u>	<u>416,334</u>
Total cash receipts over cash disbursements	(34,224)	25,290	(8,934)
Other financing receipts/(disbursements):			
Advances in	22,500	-	22,500
Total other financing receipts/(disbursements)	<u>22,500</u>	<u>-</u>	<u>22,500</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(11,724)	25,290	13,566
Cash fund balances, January 1, 2004	<u>88,777</u>	<u>38,021</u>	<u>126,798</u>
Cash fund balances, December 31, 2004	<u>\$ 77,053</u>	<u>\$ 63,311</u>	<u>\$ 140,364</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 969,571	\$ -	\$ 969,571
Other miscellaneous	11,412	-	11,412
Total operating cash receipts	<u>980,983</u>	<u>-</u>	<u>980,983</u>
Operating cash disbursements:			
Personal services	149,262	-	149,262
Contractual services	91,753	-	91,753
Supplies and material	145,847	-	145,847
Capital outlay	2,106,263	-	2,106,263
Miscellaneous	303	-	303
Total operating cash disbursements	<u>2,493,428</u>	<u>-</u>	<u>2,493,428</u>
Operating (loss)	<u>(1,512,445)</u>	<u>-</u>	<u>(1,512,445)</u>
Nonoperating cash receipts/(disbursements):			
Intergovernmental receipts	137,341	-	137,341
Special assessments	53,464	-	53,464
Fines collected	-	29,084	29,084
Proceeds of bonds	1,812,287	-	1,812,287
Fines disbursed	-	(28,063)	(28,063)
Debt service:			
Principal	(212,584)	-	(212,584)
Interest	(219,930)	-	(219,930)
Total nonoperating cash receipts/(disbursements)	<u>1,570,578</u>	<u>1,021</u>	<u>1,571,599</u>
Income before advances	58,133	1,021	59,154
Advances out	<u>(22,500)</u>	<u>-</u>	<u>(22,500)</u>
Net cash receipts over cash disbursements	35,633	1,021	36,654
Cash fund balances, January 1, 2004	<u>887,975</u>	<u>1,659</u>	<u>889,634</u>
Cash fund balances, December 31, 2004	<u>\$ 923,608</u>	<u>\$ 2,680</u>	<u>\$ 926,288</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 88,778	\$ 230,500	\$ 319,278	\$ 357,205	\$ 126,705	\$ -	\$ 220,443	\$ 220,443	\$ 368,929	\$ -	\$ 368,929	\$ (148,486)
Special Revenue	38,020	132,900	170,920	72,695	(60,205)	-	35,200	35,200	47,405	-	47,405	(12,205)
Proprietary:												
Enterprise	<u>887,975</u>	<u>1,557,850</u>	<u>2,445,825</u>	<u>2,984,075</u>	<u>1,426,225</u>	<u>-</u>	<u>347,955</u>	<u>347,955</u>	<u>2,948,442</u>	<u>-</u>	<u>2,948,442</u>	<u>(2,600,487)</u>
Total (Memorandum Only)	<u>\$ 1,014,773</u>	<u>\$ 1,921,250</u>	<u>\$ 2,936,023</u>	<u>\$ 3,413,975</u>	<u>\$ 1,492,725</u>	<u>\$ -</u>	<u>\$ 603,598</u>	<u>\$ 603,598</u>	<u>\$ 3,364,776</u>	<u>\$ -</u>	<u>\$ 3,364,776</u>	<u>\$ (2,761,178)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 119,618	\$ 20,256	\$ 139,874
Intergovernmental	23,934	10,777	34,711
Charges for services	400	-	400
Fines, licenses, and permits	221,736	1,900	223,636
Interest	2,773	-	2,773
Donations and contributions	5,000	-	5,000
Miscellaneous	2,814	-	2,814
Total cash receipts	<u>376,275</u>	<u>32,933</u>	<u>409,208</u>
Cash disbursements:			
Current:			
Security of persons and property	126,873	16,110	142,983
Public health services	316	-	316
Leisure time activities	3,340	-	3,340
Community environment	96,045	-	96,045
Transportation	24	9,764	9,788
General government	78,852	-	78,852
Capital outlay	7,245	135	7,380
Total cash disbursements	<u>312,695</u>	<u>26,009</u>	<u>338,704</u>
Total cash receipts over cash disbursements	63,580	6,924	70,504
Cash fund balances, January 1, 2003	<u>25,197</u>	<u>31,097</u>	<u>56,294</u>
Cash fund balances, December 31, 2003	<u>\$ 88,777</u>	<u>\$ 38,021</u>	<u>\$ 126,798</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 1,088,071	\$ -	\$ 1,088,071
Other miscellaneous	4,926	-	4,926
Total operating cash receipts	<u>1,092,997</u>	<u>-</u>	<u>1,092,997</u>
Operating cash disbursements:			
Personal services	88,806	-	88,806
Contractual services	152,417	-	152,417
Supplies and material	68,313	-	68,313
Capital outlay	548,533	-	548,533
Total operating cash disbursements	<u>858,069</u>	<u>-</u>	<u>858,069</u>
Operating income	<u>234,928</u>	<u>-</u>	<u>234,928</u>
Nonoperating cash receipts/(disbursements):			
Special assessments	62,759	-	62,759
Fines collected	-	25,153	25,153
Proceeds of notes	868,439	-	868,439
Fines disbursed	-	(23,363)	(23,363)
Debt service:			
Principal	(308,437)	-	(308,437)
Interest	(45,991)	-	(45,991)
Total nonoperating cash receipts/(disbursements)	<u>576,770</u>	<u>1,790</u>	<u>578,560</u>
Net cash receipts over cash disbursements	811,698	1,790	813,488
Cash fund balances, January 1, 2003	<u>76,277</u>	<u>(131)</u>	<u>76,146</u>
Cash fund balances, December 31, 2003	<u>\$ 887,975</u>	<u>\$ 1,659</u>	<u>\$ 889,634</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 40,736	\$ 178,500	\$ 219,236	\$ 376,275	\$ 197,775	\$ -	\$ 214,699	\$ 214,699	\$ 312,695	\$ -	\$ 312,695	\$ (97,996)
Special Revenue	23,040	26,200	49,240	32,933	6,733	-	44,200	44,200	26,009	-	26,009	18,191
Proprietary:												
Enterprise	68,826	337,500	2,024,195	2,024,195	1,686,695	-	408,395	408,395	1,212,497	-	1,212,497	(804,102)
Total (Memorandum Only)	\$ 132,602	\$ 542,200	\$ 2,292,671	\$ 2,433,403	\$ 1,891,203	\$ -	\$ 667,294	\$ 667,294	\$ 1,551,201	\$ -	\$ 1,551,201	\$ (883,907)

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Lithopolis, Fairfield County, Ohio, (the “Village”) is a body corporate and politic established to exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, and police services. The Village contracts with Bloom Township for fire protection services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village’s accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than from trust or for capital projects) that are legally restricted to expenditure for specific purposes.

The Village had the following significant special revenue funds:

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

Police Operating Levy Fund - This fund receives tax revenues for providing police protection services.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Enterprise Funds

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

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

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

Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court - This fund receives monies from citations issued by the Village's Police Department. Money collected is distributed in accordance with the Ohio Revised Code to the Village and State.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the "personal services" and "other" level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council. The Village had budget modifications throughout the years ended December 31, 2004 and 2003.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2004 or December 31, 2003.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the treasurer is credited to its respective funds. Interest income earned and received by the Village totaled \$5,439 and \$2,773 for the years ended December 31, 2004 and 2003, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis, are recorded when received in accordance with the Village's cash basis method of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	2004	2003
Deposits: Demand deposits		
Demand Deposits	\$ 1,020,010	\$ 969,790
STAR Ohio		
Total investments	46,642	46,642
Total deposits and investments	\$ 1,066,652	\$ 1,016,432

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 4 - COMPLIANCE

- A. The following funds had disbursements in excess of appropriations for the years ended December 31, 2004 and 2003, in noncompliance with Ohio Revised Code Section 5705.41 (B):

<u>Fund Type/Fund</u>	<u>2004</u>	<u>2003</u>
General Fund	\$ 148,486	\$ 97,996
<u>Special Revenue Fund Types:</u>		
Street Construction, Maintenance & Repair	9,689	-
Mayor's Court Computer	1,097	-
Motor Vehicle Permissive Tax	1,619	-
Police Fund	-	4,747
COPS State	-	3,273
COPS Universal	-	525
<u>Enterprise Fund Types:</u>		
Water	2,259,053	831,799
Sewer	341,434	-

Disclosure is presented at the fund level due to the practicality of determining item level amounts.

- B. The Village did not certify expenditures in a timely manner for the years ended December 31, 2004 and 2003 in noncompliance with Ohio Revised Code Section 5705.41(D).
- C. The following funds had appropriations in excess of estimated resources for the year ended December 31, 2003 in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type/Fund</u>	<u>2003</u>
<u>Special Revenue Fund Type:</u>	
Permissive Tax	\$ 888
<u>Enterprise Fund Type:</u>	
Water	34,757

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 5 - PROPERTY TAX

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

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

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

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

NOTE 6 - LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The income tax is collected by the City of Columbus and remitted to the Village. Income tax receipts are credited to the Village's General Fund.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2004 and 2003, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2004</u>	<u>Balance at December 31, 2003</u>
2002 OWDA loan for water system design, due in semi-annual installments of varying amounts through 2013 at a rate of 7.11%.	\$ 512,435	\$ 576,138
2002 OWDA for sewer collection system, due in semiannual installments of varying amounts through 2013 at a rate of 2.00%.	80,946	93,893
1994 Ohio Public Works Commission (OPWC) for water distribution system improvements, due in semiannual installments of \$5,190 through 2012 at a rate of 0.00%.	93,425	108,996
1989 joint loan with the Village of Canal Winchester and OWDA for construction of certain wastewater treatment improvements due in semiannual installments of \$21,967 through 2008 at a rate of 7.36%	<u>73,807</u>	<u>89,208</u>
Total debt obligations at December 31,	<u>\$ 760,613</u>	<u>\$ 868,235</u>

Transactions for the years ended December 31, 2004 and 2003 are summarized as follows:

<u>Description</u>	<u>Balance at December 31, 2003</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2004</u>
<u>2003:</u>				
Loan - OWDA - #3920	\$ 844,123	\$ 1,811,812	\$ (104,487)	\$ 2,551,448
Loan - OWDA - #1685/844	576,138	421	(64,124)	512,435
Loan - OWDA - #2772/0217	93,893	54	(13,001)	80,946
Loan - OPWC	108,996	-	(15,571)	93,425
Loan - Canal Winchester	<u>89,208</u>	<u>-</u>	<u>(15,401)</u>	<u>73,807</u>
Total	<u>\$ 1,712,358</u>	<u>\$ 1,812,287</u>	<u>\$ (212,584)</u>	<u>\$ 3,312,061</u>

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 7 - DEBT OBLIGATIONS - (Continued)

<u>Description</u>	(Restated)			Balance at December 31, 2003
	Balance at December 31, 2002	<u>Proceeds</u>	<u>Payments</u>	
<u>2003:</u>				
Loan - OWDA - #3920	\$ -	\$ 844,123	\$ -	\$ 844,123
Loan - OWDA - #3418	226,604	24,316	(250,920)	-
Loan - OWDA - #1685/844	614,869	-	(38,731)	576,138
Loan - OWDA - #2772/0217	102,299	-	(8,406)	93,893
Loan - OPWC	119,376	-	(10,380)	108,996
Loan - Canal Winchester	89,208	-	-	89,208
Total	<u>\$ 1,152,356</u>	<u>\$ 868,439</u>	<u>\$ (308,437)</u>	<u>\$ 1,712,358</u>

The OWDA loan #3920 is not yet fully disbursed. An amortization schedule will be presented in the future when the loan has been fully disbursed, closed and the lender has approved a repayment schedule. The principal and interest requirements to retire the other debt obligations outstanding at December 31, 2005, are as follows:

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2005, are as follows:

Year Ending December 31	<u>Loan - OWDA - #1685/844</u>		<u>Loan - OWDA - #2772/0217</u>		<u>Loan OPWC</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 22,217	\$ 19,007	\$ 4,373	\$ 853	\$ 5,190
2006	47,594	34,854	8,922	1,531	10,380
2007	50,978	31,470	9,100	1,354	10,380
2008	54,602	27,846	9,282	1,172	10,380
2009	58,484	23,964	9,468	986	10,380
2010-2013	<u>278,560</u>	<u>51,236</u>	<u>39,801</u>	<u>2,006</u>	<u>46,715</u>
Total	<u>\$ 512,435</u>	<u>\$ 188,377</u>	<u>\$ 80,946</u>	<u>\$ 7,902</u>	<u>\$ 93,425</u>

Year Ending December 31	<u>Loan - Canal Winchester</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 16,535	\$ 5,432	\$ 48,315	\$ 25,292
2006	17,751	4,215	84,647	40,600
2007	19,058	2,909	89,516	35,733
2008	20,463	1,506	94,727	30,524
2009	-	-	78,332	24,950
2010 - 2013	<u>-</u>	<u>-</u>	<u>365,076</u>	<u>53,242</u>
Total	<u>\$ 73,807</u>	<u>\$ 14,062</u>	<u>\$ 760,613</u>	<u>\$ 210,341</u>

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In 2002, the Village entered into a capitalized lease for a police cruiser.

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The lease was paid in full at December 31, 2005.

Under the basis of accounting utilized by the Village, these capitalized assets are not reflected on the financial statements and payments are recorded in the Capital Outlay line item on the financial statements.

NOTE 9 - RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police & Firemen's Disability & Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. As of December 31, 2004, the Village has paid all contributions required for 2004 and 2003.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 10 - RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

NOTE 11 - CONTINGENT LIABILITY

The Village is currently involved in litigation in which the outcome is indeterminable at this time.

NOTE 12 - SUBSEQUENT EVENT

Effective December 31, 2005, Eric Long resigned as Fiscal Officer. Effective January 1, 2006, Sandy Casey was appointed as the Fiscal Officer of the Village.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Members of Council and Mayor
Village of Lithopolis
33 North Market Street
P.O. Box 278
Lithopolis, OH 43136

We have audited the financial statements of the Village of Lithopolis, Fairfield County, Ohio as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 12, 2007, wherein we noted the Village of Lithopolis followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Lithopolis' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted six matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions caused by error or fraud. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the Village of Lithopolis' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-VOL-005, 2004-VOL-006, 2004-VOL-007, 2004-VOL-008, 2004-VOL-009 and 2004-VOL-010.

Members of Council and Mayor
Village of Lithopolis

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2004-VOL-005, 2004-VOL-006, 2004-VOL-007, 2004-VOL-008, 2004-VOL-009 and 2004-VOL-010 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Lithopolis in a separate letter dated March 12, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Lithopolis' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-VOL-001, 2004-VOL-002, 2004-VOL-003 and 2004-VOL-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Lithopolis in a separate letter dated March 12, 2007.

This report is intended for the information of the Council and management of the Village of Lithopolis and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
March 12, 2007

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2004-VOL-001

Ohio Revised Code Section 117.38 requires that cash-basis entities must file annual reports within 60 days of the fiscal year end.

The Village did not file cash-basis financial statements for 2004 and 2003 with the Auditor of State's Office in a timely manner. In addition to the late filing of financial reports, the Village's management is not able to review the financial records, monitor its budget and make decisions based on accurate financial information.

The Village delays the audit and is not providing the Village management, or its taxpayers with timely financial statements by not filing annual reports within the required time.

We recommend that the Village make its best effort to complete its financial reports and submit them to the Auditor of State by the due date. We recommend that the Village contract with the Auditor of State or an independent accounting firm for guidance in completing financial statements in the event they are unable to complete them by the due date. In addition, the Village's Council should begin to review the financial records monthly and all reviewers should initial or sign the records in order to document this review. We recommend management take a more proactive role to insure the financial reports are completed timely. This may prevent future non-compliance with this law and will provide the additional assurance that the financial records are in order and are completed in a timely manner.

Client Response: The Village Fiscal Officer will attempt to compile financial data for subsequent years in the required format and submit to the Auditor of State's office in accordance with Ohio Revised Code.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-VOL-002

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village had disbursements in excess of appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>2004</u>	<u>2003</u>
General Fund	\$ 148,486	\$ 97,996
<u>Special Revenue Fund Types:</u>		
Street Construction, Maintenance & Repair	9,689	-
Mayor's Court Computer	1,097	-
Motor Vehicle Permissive Tax	1,619	-
Police Fund	-	4,747
COPS State	-	3,273
COPS Universal	-	525
<u>Enterprise Fund Types:</u>		
Water	2,259,053	831,799
Sewer	341,434	-

With disbursements exceeding appropriations, the Village is spending monies that have not been lawfully appropriated by Village Council. This may result in unnecessary spending.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Village Council will attempt to pass amended appropriations in a timely manner in accordance with the Ohio Revised Code.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)	
Finding Number	2004-VOL-003

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the Village Fiscal Officer issued Clerk Certificates; however, many disbursements were dated prior to the certificate and the certificates were drawn off of approved temporary appropriations for the years ended December 31, 2004 and 2003.

Without timely certification and evidence of approved permanent appropriations of which such certifications were drawn on, the Village may expend more funds than available in the treasury, in the process of collection or than funds appropriated by the Village Council, which could potentially lead to negative fund balances. In addition, the Village may make unnecessary purchases.

We recommend that the Village Fiscal Officer timely certify its disbursements based on approved permanent appropriations, to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then and Now" certificates where applicable.

Client Response: The Fiscal Officer will attempt to certify Clerk Certificates in a more timely manner based on approved permanent appropriations.

Finding Number	2004-VOL-004
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Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

It was noted during the audit that for the year ended December 31, 2003, the Village had appropriations exceeding estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>2003</u>
<u>Special Revenue Fund Type:</u>	
Permissive Tax	\$ 888
<u>Enterprise Fund Type:</u>	
Water	34,757

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)	
Finding Number	2004-VOL-004 - (Continued)

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Village Fiscal Officer comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Fiscal Officer is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

Finding Number	2004-VOL-005
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Based upon the results of observations made during our audit, we noted the Village has a serious lack of control and direction regarding the accounting system and overall fiscal management.

In general, an accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made.

The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We strongly suggest that the Village seriously consider creating an accounting and information system that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Village in the future.

Client Response: The Village Council will attempt to require financial data to be submitted for approval and review in a timely manner. In addition, the Village has begun using the UAN software to record financial data, effective January 1, 2007.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)	
Finding Number	2004-VOL-006

It was noted during the audit that the Village does not use an adequate governmental computer system to account for its general accounting and payroll functions.

Lack of the use of an appropriate computer system, requires numerous repetitive calculations to be performed when computing payroll, writing checks, tracking budgetary items, and etc.

We recommend that the Village investigate computerizing the Village operations.

This will enable the Village to more accurately be aware of its financial condition on a daily basis.

Client Response: The Village will investigate its software options for accounting for fiscal activities.

Finding Number	2004-VOL-007
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It was noted during the audit that the Fiscal Officer recorded property and income tax proceeds at net and did not record related deductions as expenditures. In addition, payments on behalf by Ohio Public Works Commission and Ohio Water Development Authority were not recorded.

All transactions should be recorded at the gross amount to accurately reflect receipts and expenditures. Further, all payments on behalf of the Village are required to be reported and budgeted in the Village's fiscal activity.

The lack of posting transactions at gross can understate receipts and disbursements.

The financial statements have been adjusted to reflect gross receipts and related disbursements.

We recommend that the Fiscal Officer record all future transactions at gross when applicable. We further recommend the Village Administrator communicate and provide the Fiscal Officer with the information required to properly record and budget for on behalf of payments. This will ensure a more accurate reporting of Village activities during the year being audited.

Client Response: The Village Fiscal Officer will communicate with the Mayor and Administrator and utilize the resources available (Agency internet websites) to ensure all payments on behalf are properly recorded and will present amounts to Council for proper approval.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)	
Finding Number	2004-VOL-008

The Fiscal Officer should maintain the following records:

1. Cash Journal that contains the following information: the amount, the date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction,
2. Receipts Ledger that classifies receipts into separate accounts for each type of receipt of each fund the Village uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transaction can be recorded in this ledger, and
3. Appropriations Ledger that classifies disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of the disbursement, and other information required for the transaction can be recorded in this ledger.

These records were not maintained by the Fiscal Officer during 2004 and 2003 in an easily traceable format.

We recommend the Council periodically review these records to help ensure they are available, accurate, and complete.

Client Response: The Village's management will take a more active role in requiring the above documentation to be presented in a timely manner.

Finding Number	2004-VOL-009
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It was noted during the audit that the Village Council was only provided fund reports on a sporadic basis, including budget to actual activity relating to receipts and disbursements.

The Village Council should review monthly financial information (receipts and expenditure reports, fund status reports and bank reconciliations) on a monthly basis.

Lack of monitoring and review of the Village's financial information limits the Council's ability to make timely and informed decisions about the Village's finances.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)	
Finding Number	2004-VOL-009 - (Continued)

We recommend Council request the Fiscal Officer to provide monthly bank reconciliations, fund status reports, and monthly receipt and expenditure reports to the Council each month. Council should review the reports and follow up on matters deemed to be significant or unusual. This review should be documented in the record of minutes. We also recommend that a Council member periodically agree financial reports to the Fiscal Officer's ledgers.

Client Response: The Village's management will take a more active role in requiring the above documentation to be presented in a timely manner.

Finding Number	2004-VOL-010
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It was noted the Fiscal Officer did not record receipts in a timely manner or in an easily traceable format. Several instances were noted where receipts were not posted for up to 12 months. We also noted a few instances where receipts were recorded prior to the actual receipt, and supporting documentation was difficult to obtain.

Village receipts should be posted to the accounting system when received. The amounts posted to the accounting system should reconcile to the amounts deposited.

The lack of timely and accurate posting of receipts leads to inaccurate financial information and in some cases significantly understated and overstated the Village fund balances. Untimely and inaccurate posting also makes it difficult to reconcile amounts posted with amounts deposited.

We recommend the Fiscal Officer record receipts in a timely manner after they are received. We also recommend the Fiscal Officer reconcile receipt postings when making deposits. Amounts posted should correspond directly with amounts deposited.

Client Response: The Village's management will take a more active role in requiring the above documentation to be presented in a timely manner.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or finding No Longer Valid; Explain:</u>
2002 - 001	Ohio Revised Code Section 5705.41(D) states no order or contracts involving expenditures of money are to be made without proper approval.	No	Finding repeated as number 2004-VOL-003
2002 - 002	Ohio Revised Code Section 5705.10 states in part that money paid into any fund shall be used for the purpose for which that fund as established.	No	Partially; Corrected at year end, but not throughout year.
2002 - 003	Ohio Revised Code Section 5705.36 requires that fund balances be certified to the County Auditor.	No	Partially; Finding now located in management letter.
2002 - 004	Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed total estimated revenue.	No	Finding repeated as number 2004-VOL-004
2002 - 005	Ohio Revised Code Section 5705.04 requires taxes received be credited into specific funds.	Yes	N/A
2002 - 006	Ohio Revised Code Section 135.21 and 5705.10 require interest earned to be apportioned amount those funds expressly required by law.	No	Partially; Finding for adjustment was corrected; Allocation citations now located in management letter.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY, OHIO
DECEMBER 31, 2004 AND 2003**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or finding No Longer Valid; Explain:
2002 - 007	All transactions should be recorded at the gross amount to accurately reflect receipts and expenditures.	No	Finding repeated as 2004-VOL-007
2002 - 008	Fiscal Officer should be maintaining a cash journal, receipts ledger and appropriations ledger.	No	Finding repeated as 2004-VOL-008
2002 - 009	The Council should review monthly financial information.	No	Finding repeated as 2004-VOL-009
2002 - 010	Village receipts should be posted to the accounting system when received.	No	Finding repeated as 2004-VOL-010



Mary Taylor, CPA
Auditor of State

VILLAGE OF LITHOPOLIS

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 19, 2007**