



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015
Fiscal Years Audited Under GAGAS: 2016 and 2015



Dave Yost • Auditor of State

Village Council
Village of Lithopolis
11820 Lithopolis Road
Lithopolis, Ohio 43136

We have reviewed the *Independent Auditor's Report* of the Village of Lithopolis, Fairfield County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 18, 2018

This page intentionally left blank.

Village of Lithopolis
Fairfield County, Ohio
Table of Contents
For the Fiscal Years Ended December 31, 2016 and 2015

Title	Page
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2016	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2015	6
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2015	7
Notes to the Financial Statements	8
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	16
Schedule of Findings	18
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Independent Auditor's Report

Village of Lithopolis
Fairfield County
11820 Lithopolis Road
Lithopolis, Ohio 43136

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

Payroll disbursements are reported at \$495,903 and \$474,430 for the years ended December 31, 2016 and 2015, respectively, which are 18 percent of the total disbursements for the year ended December 31, 2016 and 15 percent of the total disbursements for the year ended December 31, 2015. We were unable to obtain sufficient appropriate audit evidence supporting these amounts recorded as payroll disbursements. Consequently, we were unable to determine where any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial referred to above present fairly, in all material respects, the combined cash balances of the Village of Lithopolis, Fairfield County Ohio, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative code Section 117-2-03(D) permit, described in Note 1.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lithopolis, Fairfield County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017, on our consideration of the Village's internal control over financial reporting and on 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 Standard* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
June 28, 2017

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 57,485	\$ -	\$ -	\$ 57,485
Municipal Income Tax	662,376	-	-	662,376
Intergovernmental	31,021	58,223	967,472	1,056,716
Charges for Services	615	349	-	964
Fines, Licenses, and Permits	242,073	29,911	-	271,984
Earnings on Investments	1,159	172	-	1,331
Miscellaneous	<u>4,095</u>	<u>31,929</u>	<u>17,492</u>	<u>53,516</u>
Total Cash Receipts	<u>998,824</u>	<u>120,584</u>	<u>984,964</u>	<u>2,104,372</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	243,599	1,251	-	244,850
Public Health Service	7,000	-	-	7,000
Leisure Time Activities	-	1,299	-	1,299
Community Environment	2,000	-	-	2,000
Transportation	-	44,135	-	44,135
General Government	409,678	3,039	-	412,717
Capital Outlay	-	-	972,292	972,292
Debt Service:				
Redemption of Principal	62,876	88,737	-	151,613
Interest and Fiscal Charges	<u>968</u>	<u>7,901</u>	<u>-</u>	<u>8,869</u>
Total Cash Disbursements	<u>726,121</u>	<u>146,362</u>	<u>972,292</u>	<u>1,844,775</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	272,703	(25,778)	12,672	259,597
Other Financing Receipts (Disbursements):				
Transfers-In	-	155,180	-	155,180
Transfers-Out	(155,180)	-	-	(155,180)
Other Sources	18,364	-	-	18,364
Other Uses	<u>-</u>	<u>(30)</u>	<u>-</u>	<u>(30)</u>
Total Other Financing Receipts (Disbursements)	<u>(136,816)</u>	<u>155,150</u>	<u>-</u>	<u>18,334</u>
<i>Net Change in Fund Cash Balances</i>	135,887	129,372	12,672	277,931
Fund Cash Balances, January 1	<u>295,535</u>	<u>36,440</u>	<u>25,326</u>	<u>357,301</u>
Restricted	-	165,812	37,998	203,810
Unassigned	<u>431,422</u>	<u>-</u>	<u>-</u>	<u>431,422</u>
Fund Cash Balances, December 31	<u><u>\$ 431,422</u></u>	<u><u>\$ 165,812</u></u>	<u><u>\$ 37,998</u></u>	<u><u>\$ 635,232</u></u>

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 1,291,806	\$ -	\$ 1,291,806
Fines, Licenses & Permits	-	21,293	21,293
	1,291,806	21,293	1,313,099
Operating Cash Disbursements			
Personal services	144,452	-	144,452
Fringe benefits	22,295	-	22,295
Contractual services	315,730	-	315,730
Supplies and Materials	60,683	-	60,683
Other	-	21,742	21,742
	543,160	21,742	564,902
<i>Operating Income (Loss)</i>	748,646	(449)	748,197
Non-Operating Receipts (Disbursements)			
Capital Outlay	(60,868)	-	(60,868)
Debt Service:			
Principal	(194,364)	-	(194,364)
Interest	(102,540)	-	(102,540)
Other Financing Sources	1,483	-	1,483
	(356,289)	-	(356,289)
<i>Net Change in Fund Cash Balances</i>	392,357	(449)	391,908
Fund Cash Balances, January 1	221,706	5,311	227,017
Fund Cash Balances, December 31	\$ 614,063	\$ 4,862	\$ 618,925

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 50,280	\$ 6,056	\$ -	\$ 56,336
Municipal Income Tax	508,730	-	-	508,730
Intergovernmental	50,307	58,528	681,849	790,684
Charges for Services	15	-	-	15
Fines, Licenses, and Permits	223,789	47,302	-	271,091
Earnings on Investments	1,284	181	-	1,465
Miscellaneous	<u>6,286</u>	<u>12,230</u>	<u>19,000</u>	<u>37,516</u>
Total Cash Receipts	<u>840,691</u>	<u>124,297</u>	<u>700,849</u>	<u>1,665,837</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	242,610	13,703	-	256,313
Public Health Service	6,609	-	-	6,609
Leisure Time Activities	-	34,108	-	34,108
Community Environment	27,000	-	-	27,000
Transportation	-	144,990	-	144,990
General Government	405,060	6,811	-	411,871
Capital Outlay	-	-	1,152,419	1,152,419
Debt Service:				
Redemption of Principal	<u>-</u>	<u>8,737</u>	<u>-</u>	<u>8,737</u>
Total Cash Disbursements	<u>681,279</u>	<u>208,349</u>	<u>1,152,419</u>	<u>2,042,047</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	159,412	(84,052)	(451,570)	(376,210)
Other Financing Receipts (Disbursements):				
Bond Proceeds	-	-	425,000	425,000
Transfers-In	-	33,699	-	33,699
Transfers-Out	(33,699)	-	-	(33,699)
Other Sources	13,527	-	-	13,527
Other Uses	<u>-</u>	<u>(820)</u>	<u>-</u>	<u>(820)</u>
Total Other Financing Receipts (Disbursements)	<u>(20,172)</u>	<u>32,879</u>	<u>425,000</u>	<u>437,707</u>
<i>Net Change in Fund Cash Balances</i>	139,240	(51,173)	(26,570)	61,497
Fund Cash Balances, January 1	<u>156,295</u>	<u>87,613</u>	<u>51,896</u>	<u>295,804</u>
Restricted	-	36,440	25,326	61,766
Unassigned	<u>295,535</u>	<u>-</u>	<u>-</u>	<u>295,535</u>
Fund Cash Balances, December 31	<u><u>\$ 295,535</u></u>	<u><u>\$ 36,440</u></u>	<u><u>\$ 25,326</u></u>	<u><u>\$ 357,301</u></u>

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 996,967	\$ -	\$ 996,967
Fees, Licenses & Permits	-	32,211	32,211
	996,967	32,211	1,029,178
Operating Cash Disbursements			
Personal services	117,302	-	117,302
Fringe benefits	22,130	-	22,130
Contractual services	359,655	-	359,655
Supplies and Materials	138,564	-	138,564
Other	-	30,919	30,919
	637,651	30,919	668,570
<i>Operating Income (Loss)</i>	359,316	1,292	360,608
Non-Operating Receipts (Disbursements)			
Capital Outlay	(245,842)	-	(245,842)
Debt Service:			
Principal	(110,131)	-	(110,131)
Interest	(116,974)	-	(116,974)
	(472,947)	-	(472,947)
<i>Net Change in Fund Cash Balances</i>	(113,631)	1,292	(112,339)
Fund Cash Balances, January 1	335,337	4,019	339,356
Fund Cash Balances, December 31	\$ 221,706	\$ 5,311	\$ 227,017

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lithopolis, Fairfield County, Ohio, (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 publicly-elected six-member Council. The Village provides water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund:

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds:

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

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (continued)

3. Capital Projects Funds:

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

TIF Capital Improvement Fund – This fund was established to account for the proceeds from TIF funding and expenditures for capital outlay.

4. Enterprise Funds:

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing water services.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing sewer services.

Solid Waste Utility Fund – This fund receives charges for services from residents to cover the cost of providing garbage services.

5. Fiduciary Funds:

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court activity.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (continued)

5. Unassigned

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

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

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Demand deposits	<u>\$1,254,157</u>	<u>\$584,318</u>

Deposits: The Village's deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 and December 31, 2015, was as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$952,707	\$1,017,188	\$64,481
Special Revenue	195,454	275,764	80,310
Capital Projects	1,041,955	984,964	(56,991)
Enterprise	1,312,376	1,293,289	(19,087)
Fiduciary	0	21,293	21,293
Total	\$3,502,492	\$3,592,498	\$90,006

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,166,854	\$881,301	\$285,553
Special Revenue	180,697	146,392	34,305
Capital Projects	1,056,455	972,292	84,163
Enterprise	1,425,238	900,932	524,306
Fiduciary	0	21,742	(21,742)
Total	\$3,829,244	\$2,922,659	\$906,585

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$729,649	\$854,218	\$124,569
Special Revenue	883,154	157,996	(725,158)
Capital Projects	1,971,342	1,125,849	(845,493)
Enterprise	920,956	996,967	76,011
Fiduciary	0	32,211	32,211
Total	\$4,505,101	\$3,167,241	(\$1,337,860)

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. BUDGETARY ACTIVITY (CONTINUED)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$846,366	\$714,978	\$131,388
Special Revenue	926,928	209,169	717,759
Capital Projects	1,987,999	1,152,419	835,580
Enterprise	1,036,728	1,110,598	(73,870)
Fiduciary	0	30,919	(30,919)
Total	\$4,798,021	\$3,218,083	\$1,579,938

4. PROPERTY TAX

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

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

5. 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 Regional Income Tax Agency (R.I.T.A) and is remitted to the Village. Income tax receipts are credited to the Village's General Fund.

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA Loan 3920	\$ 2,247,632	4.35%
OPWC Loan CQ10N	567,883	0.00%
Series 2015 – Improvement Bonds	345,000	1.98%
Total	\$ 3,160,515	

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

6. DEBT (CONTINUED)

The Ohio Water Development Authority (OWDA) loan #3920 relates to the water system improvements and was awarded in July of 2003 in the amount, not to exceed, of \$3,000,000 with payments beginning on 01/01/2005. This loan matures July 1, 2034.

The Ohio Public Works Commission (OPWC) loan #CQ10N was awarded for the Columbus Street Reconstruction project in 2012 in the amount of \$644,329. The loan will be repaid in semiannual payments of \$10,921 until it matures on June 30, 2042.

On March 10, 2015, the Village authorized the issuance and sale of Roadway Improvement Bonds, Series 2015 in the principal amount of \$425,000. The Bonds bear an interest rate of 1.98% and are payable on April 1 each year. The Bonds mature on April 1, 2020.

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

Year Ending December 31:	OPWC Loan	OWDA Loan
2017	21,842	181,357
2018	21,842	181,357
2019	21,842	181,357
2020	21,842	181,357
2021	21,842	181,357
2022-2026	109,210	906,785
2027-2031	109,210	906,785
2032-2036	109,210	544,070
2037-2041	109,210	0
2042	21,842	0
	<u>567,892</u>	<u>3,264,425</u>

*No amortization schedule available for the Series 2015 Road Improvement Bonds.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability.

Contribution rates are also prescribed by the Ohio Revised Code. From January 1, 2015 through June 30, 2015, OP&F participants contributed 11.5% of their wages, from July 1, 2015 through December 31, 2016, OP&F participants contributed 12.25% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 10% of gross wages. The Village contributed an amount equal to 14% of participants' gross wages. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. INTERFUND TRANSACTIONS

The following is a summary of transfers in and out for 2016:

<u>Opinion Unit</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$0	\$155,180
Special Revenue	155,180	0
Total	<u>\$155,180</u>	<u>\$155,180</u>

The following is a summary of advances in and out for 2015:

<u>Opinion Unit</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$0	\$33,699
Special Revenue	33,699	0
Total	<u>\$33,699</u>	<u>\$33,699</u>

Transfers were made from the General Fund to provide temporary support to other Village funds.



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Village of Lithopolis
Fairfield County
11820 Lithopolis Road
Lithopolis, Ohio 43136

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Lithopolis, Fairfield County, (the Village) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated June 28, 2017, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion due to lack of supporting documentation for the Village's payroll disbursements.

Internal Control Over Financial Reporting

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

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 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-003.

Purpose of this Report

This report only describes the scope of our internal control testing 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 "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
June 28, 2017

**Village of Lithopolis
Fairfield County
Schedule of Findings
December 31, 2016 and 2015**

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

Finding Number 2016-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village’s internal controls over financial reporting. Misstatements were identified in the following areas:

- Intergovernmental revenues,
- Property tax revenues,
- Principal Payments expense,
- Interest and Fiscal Charges expense,

All of the above noted adjustments have been posted to the financial statements and to the Village’s UAN accounting system.

To ensure the Village’s financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officer’s Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response: We did not receive a response from the client to this finding.

Finding Number 2016-002

Material Weakness - Supporting Documentation Payroll Disbursements

During the testing of the Payroll Disbursements, we noted the Village did not maintain documentation to support the payroll disbursements for fiscal years 2016 and 2015, respectively. The lack of supporting documentation could allow errors, irregularities and possible overpayment to occur and go undetected for an extended period of time. As a result, we qualified the opinion regarding this lack of supporting documentation.

Sound financial reporting is the responsibility of the Fiscal Officer and the Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To help ensure the Village’s financial statements are complete and accurate, the Village should maintain supporting documentation for all payroll disbursements. This will help ensure errors, irregularities and/or inaccurate charges are detected timely and the financial statements are complete and accurate.

Client Response: We did not receive a response from the client to this finding.

**Village of Lithopolis
Fairfield County
Schedule of Findings
December 31, 2016 and 2015**

Finding Number 2016-003

Material Noncompliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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

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

The Fiscal Officer did not certify the availability of funds prior to purchase commitments being made for 100% of the expenditures tested in 2015 and 88% of expenditures tested in 2016. The Village did not have sufficient internal controls in place to ensure the certification of the availability of funds.

**Village of Lithopolis
Fairfield County
Schedule of Findings
December 31, 2016 and 2015**

Finding Number 2016-003 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.4(D)(1)

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurrent. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Client Response: We did not receive a response from the client to this finding.

**Village of Lithopolis
Fairfield County
Schedule of Prior Audit Findings
December 31, 2016 and 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	Material Weakness – Financial Reporting	No	Reissued as 2016-001

This page intentionally left blank.



Dave Yost • 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
FEBRUARY 1, 2018