

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2006 and 2005

**ERIC SANDINE, MAYOR**





Mary Taylor, CPA  
Auditor of State

Village Council  
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, 2005 through December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 9, 2009

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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, Ohio, as of and for the years ended December 31, 2006 and 2005. 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 reasonably assure 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 in Note 2, the Village of Lithopolis 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

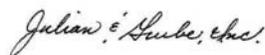
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village 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 has elected not to reformat its statements. Since the Village of Lithopolis does not use GAAP to measure its 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 matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or cash flows of its proprietary fund type for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lithopolis, Fairfield County, Ohio, as of and for the years ended December 31, 2006 and 2005 and its combined cash receipts and disbursements and 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 years ended December 31, 2006 and 2005. 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 January 15, 2009, on our consideration of the Village of Lithopolis' 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. 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.



Julian & Grube, Inc.  
January 15, 2009

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
December 31, 2006 and 2005

<u>Cash and Cash Equivalents</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 603,310	\$ 855,015
Total Cash and Cash Equivalents	<u>\$ 603,310</u>	<u>\$ 855,015</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 26,014	\$ 76,805
Special Revenue	<u>98,634</u>	<u>85,880</u>
Total Governmental Fund Types	<u>124,648</u>	<u>162,685</u>
 <u>Proprietary Fund Type:</u>		
Enterprise	<u>472,631</u>	<u>684,276</u>
Total Proprietary Fund Type	<u>472,631</u>	<u>684,276</u>
 <u>Fiduciary Fund Type:</u>		
Agency	<u>6,031</u>	<u>8,054</u>
Total Fiduciary Fund Type	<u>6,031</u>	<u>8,054</u>
Total Fund Balances	<u>\$ 603,310</u>	<u>\$ 855,015</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, 2006

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 181,337	\$ 15,144	\$ 196,481
Intergovernmental	21,490	30,332	51,822
Charges for services	-	21,380	21,380
Fees, licenses, and permits	35,874	18,860	54,734
Interest	5,996	-	5,996
Miscellaneous	4,589	-	4,589
Total cash receipts	<u>249,286</u>	<u>85,716</u>	<u>335,002</u>
Cash disbursements:			
Current:			
Security of persons and property	142,276	13,404	155,680
Leisure time activities	-	11,714	11,714
Community environment	-	26,051	26,051
Basic utility services	-	28,061	28,061
Transportation	-	8,784	8,784
General government	120,701	2,948	123,649
Total cash disbursements	<u>262,977</u>	<u>90,962</u>	<u>353,939</u>
Total cash receipts (under) cash disbursements	<u>(13,691)</u>	<u>(5,246)</u>	<u>(18,937)</u>
Other financing receipts/(disbursements)			
Proceeds from sale of assets	900	-	900
Operating transfers in	-	10,000	10,000
Operating transfers out	(10,000)	-	(10,000)
Advances in	-	8,000	8,000
Advances out	(28,000)	-	(28,000)
Total other financing receipts/(disbursements)	<u>(37,100)</u>	<u>18,000</u>	<u>(19,100)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(50,791)	12,754	(38,037)
Cash fund balances, January 1, 2006	<u>76,805</u>	<u>85,880</u>	<u>162,685</u>
Cash fund balances, December 31, 2006	<u>\$ 26,014</u>	<u>\$ 98,634</u>	<u>\$ 124,648</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, 2006

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 731,845	\$ -	\$ 731,845
Other miscellaneous	5,070	-	5,070
Total operating cash receipts	<u>736,915</u>	<u>-</u>	<u>736,915</u>
Operating cash disbursements:			
Personal services	185,258	-	185,258
Contractual services	208,473	-	208,473
Supplies and material	156,400	-	156,400
Capital outlay	435,797	-	435,797
Total operating cash disbursements	<u>985,928</u>	<u>-</u>	<u>985,928</u>
Operating income (loss)	<u>(249,013)</u>	<u>-</u>	<u>(249,013)</u>
Nonoperating cash receipts/(disbursements):			
Fines collected	-	32,660	32,660
Proceeds of notes	181,800	-	181,800
Fines disbursed	-	(34,683)	(34,683)
Debt service:			
Principal	(85,556)	-	(85,556)
Interest	(78,876)	-	(78,876)
Total nonoperating cash receipts/(disbursements)	<u>17,368</u>	<u>(2,023)</u>	<u>15,345</u>
Advances in	20,000	-	20,000
Net cash receipts (under) cash disbursements	(211,645)	(2,023)	(213,668)
Cash fund balances, January 1, 2006	<u>684,276</u>	<u>8,054</u>	<u>692,330</u>
Cash fund balances, December 31, 2006	<u>\$ 472,631</u>	<u>\$ 6,031</u>	<u>\$ 478,662</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, 2006

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements		Encumbrances Outstanding at 12/31/06
Governmental:											
General	\$ -	\$ -	\$ -	\$ 250,186	\$ 250,186	\$ -	\$ 296,701	\$ 296,701	\$ 300,977	\$ -	\$ (4,276)
Special Revenue	-	-	-	103,716	103,716	-	35,700	35,700	90,962	-	(55,262)
Proprietary:											
Enterprise	-	-	-	938,715	938,715	-	2,007,284	2,007,284	1,150,360	-	856,924
Total (Memorandum Only)	\$ -	\$ -	\$ -	\$ 1,292,617	\$ 1,292,617	\$ -	\$ 2,339,685	\$ 2,339,685	\$ 1,542,299	\$ -	\$ 797,386

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, 2005

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 127,679	\$ 12,232	\$ 139,911
Intergovernmental	21,111	19,070	40,181
Charges for services	275	-	275
Fees, licenses, and permits	122,623	39,384	162,007
Interest	7,787	-	7,787
Total cash receipts	<u>279,475</u>	<u>70,686</u>	<u>350,161</u>
Cash disbursements:			
Current:			
Security of persons and property	151,581	4,115	155,696
Leisure time activities	-	6,000	6,000
Basic utility services	17,880	-	17,880
Transportation	-	36,290	36,290
General government	93,659	1,712	95,371
Capital outlay	16,603	-	16,603
Total cash disbursements	<u>279,723</u>	<u>48,117</u>	<u>327,840</u>
Total cash receipts over/(under) cash disbursements	(248)	22,569	22,321
Cash fund balances, January 1, 2005	<u>77,053</u>	<u>63,311</u>	<u>140,364</u>
Cash fund balances, December 31, 2005	<u>\$ 76,805</u>	<u>\$ 85,880</u>	<u>\$ 162,685</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, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 593,029	\$ -	\$ 593,029
Other miscellaneous	8,691	-	8,691
Total operating cash receipts	<u>601,720</u>	<u>-</u>	<u>601,720</u>
Operating cash disbursements:			
Personal services	225,575	-	225,575
Contractual services	194,832	-	194,832
Supplies and material	113,695	-	113,695
Capital outlay	183,930	-	183,930
Miscellaneous	13,971	-	13,971
Total operating cash disbursements	<u>732,003</u>	<u>-</u>	<u>732,003</u>
Operating income (loss)	<u>(130,283)</u>	<u>-</u>	<u>(130,283)</u>
Nonoperating cash receipts/(disbursements):			
Intergovernmental receipts	119,433	-	119,433
Special assessments	4,613	-	4,613
Fines collected	-	50,800	50,800
Proceeds of notes	140,102	-	140,102
Fines disbursed	-	(45,426)	(45,426)
Debt service:			
Principal	(182,675)	-	(182,675)
Interest	(190,522)	-	(190,522)
Total nonoperating cash receipts/(disbursements)	<u>(109,049)</u>	<u>5,374</u>	<u>(103,675)</u>
Net cash receipts over/(under) cash disbursements	(239,332)	5,374	(233,958)
Cash fund balances, January 1, 2005	<u>923,608</u>	<u>2,680</u>	<u>926,288</u>
Cash fund balances, December 31, 2005	<u>\$ 684,276</u>	<u>\$ 8,054</u>	<u>\$ 692,330</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, 2005

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements		Encumbrances Outstanding at 12/31/05
Governmental:											
General	\$ 106,785	\$ 263,309	\$ 370,094	\$ 279,475	\$ (90,619)	\$ -	\$ 320,474	\$ 320,474	\$ 279,723	\$ -	\$ 40,751
Special Revenue	47,996	121,868	169,864	70,686	(99,178)	-	77,699	77,699	48,117	-	29,582
Proprietary:											
Enterprise	1,954,499	837,804	2,792,303	865,868	(1,926,435)	-	1,472,633	1,472,633	1,105,200	-	367,433
Total (Memorandum Only)	\$ 2,109,280	\$ 1,222,981	\$ 3,332,261	\$ 1,216,029	\$ (2,116,232)	\$ -	\$ 1,870,806	\$ 1,870,806	\$ 1,433,040	\$ -	\$ 437,766

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

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**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:

*Construction Inspection Fund* - This fund receives reimbursements receipts from contractors for the engineering fees necessary for new developments in the Village.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**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).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**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.

*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, 2006 AND 2005

**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, 2006 or December 31, 2005.

**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 \$5,996 and \$7,787 for the years ended December 31, 2006 and 2005, 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, 2006 AND 2005

**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. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. The resources advanced are temporary loans of cash.

I. 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:

	<u>2006</u>	<u>2005</u>
Deposits: Demand deposits		
Demand Deposits	\$ 603,310	\$ 806,344
STAR Ohio		
Total investments	<u>          -</u>	<u>    48,671</u>
Total deposits and investments	<u>\$ 603,310</u>	<u>\$ 855,015</u>

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 3 - CASH AND CASH EQUIVALENTS - (Continued)**

*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.

**NOTE 4 - COMPLIANCE**

- A. The Village did not file annual reports within 60 days of the fiscal year end for years ending December 31, 2006 and 2005. The Village was in noncompliance with Ohio Revised Code Section 117.38.
- B. The Village had funds with disbursements in excess of appropriations for the years ended December 31, 2006, in noncompliance with Ohio Revised Code Section 5705.41(B).
- C. The Village did not certify expenditures in a timely manner for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.41(D).
- D. For the year ending December 31, 2006, the Village had appropriations exceeding estimated resources in all funds as a result of not certifying estimated resources. The Village is in noncompliance with Ohio Revised Code Section 5705.39.
- E. For the year ending December 31, 2006, the Village did not certify the total amount from all sources available with the County Auditor. The Village is in noncompliance with Ohio Revised Code Section 5705.36.
- F. The Village did not timely modify its appropriations throughout the years ended December 31, 2006 and 2005. The Village is in noncompliance with Ohio Revised Code Section 5705.40.
- G. The Village could not provide evidence of any approved permanent appropriations for the year ended December 31, 2005. Temporary appropriations were approved on February 28, 2005. The Village is in noncompliance with Ohio Revised Code Section 5705.38 for the year ended December 31, 2005.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 4 - COMPLIANCE - (Continued)**

- H. For the year ending December 31, 2006, the Village did not properly certify its most current estimated resources to the appropriate authorities, thus causing appropriations to exceed estimated resources. The Village is in noncompliance with Ohio Revised Code Section 5705.36.
- I. The Village had appropriations that exceeded actual resources in the Water fund at December 31, 2006. The Village is in noncompliance with Ohio Revised Code Section 5705.36(A)(4).
- J. The Village had negative cash fund balances at December 31, 2006 in noncompliance with Ohio Revised Code Section 5705.10.

**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. 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 annually. However, if the property owner elects, they may make semiannual payments.

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

Tangible personal property tax revenues received in 2006 and 2005 (other than public utility property) represent the collection of 2006 and 2005 taxes, respectively. Tangible personal property taxes received in 2006 and 2005 were levied after October 1, 2005 and 2004, respectively, on the true value as of December 31, 2005 and 2004, respectively. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 5 - PROPERTY TAX - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2006 AND 2005

**NOTE 7 - DEBT OBLIGATIONS**

At December 31, 2006 and 2005, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2006</u>	<u>Balance at December 31, 2005</u>
2002 OWDA loan for water system improvements, due in semiannual installments of varying amounts through 2024 at a rate of 4.35%	\$ 2,720,330	\$ 2,590,638
2002 OWDA loan for water system design, due in semiannual installments of varying amounts through 2013 at a rate of 7.11%.	442,624	466,421
2002 OWDA for sewer collection system, due in semiannual installments of varying amounts through 2013 at a rate of 2.00%.	67,651	72,112
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%.	77,855	83,045
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>57,272</u>	<u>57,272</u>
Total debt obligations	<u>\$ 3,365,732</u>	<u>\$ 3,269,488</u>

Transactions for the years ended December 31, 2006 and 2005 are summarized as follows:

<u>Description</u>	<u>Balance at December 31, 2005</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2006</u>
<u>2006</u>				
Loan - OWDA - #3920	\$ 2,590,638	\$ 181,800	\$ (52,108)	\$ 2,720,330
Loan - OWDA - #1685/844	466,421	-	(23,797)	442,624
Loan - OWDA - #2772/0217	72,112	-	(4,461)	67,651
Loan - OPWC	83,045	-	(5,190)	77,855
Loan - Canal Winchester	<u>57,272</u>	<u>-</u>	<u>-</u>	<u>57,272</u>
Total	<u>\$ 3,269,488</u>	<u>\$ 181,800</u>	<u>\$ (85,556)</u>	<u>\$ 3,365,732</u>

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 7 - DEBT OBLIGATIONS - (Continued)**

<u>Description</u>	<u>Balance at</u> <u>December 31, 2004</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at</u> <u>December 31, 2005</u>
<u>2005</u>				
Loan - OWDA - #3920	\$ 2,551,448	\$ 140,102	\$ (100,912)	\$ 2,590,638
Loan - OWDA - #1685/844	512,435	-	(46,014)	466,421
Loan - OWDA - #2772/0217	80,946	-	(8,834)	72,112
Loan - OPWC	93,425	-	(10,380)	83,045
Loan - Canal Winchester	73,807	-	(16,535)	57,272
Total	<u>\$ 3,312,061</u>	<u>\$ 140,102</u>	<u>\$ (182,675)</u>	<u>\$ 3,269,488</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 debt obligations outstanding at December 31, 2006, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Loan - OWDA - #1685/844</u>		<u>Loan - OWDA - #2772/0217</u>		<u>Loan</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>OPWC</u> <u>Principal</u>
2007	\$ 50,978	\$ 31,470	\$ 9,100	\$ 1,353	\$ 10,380
2008	54,602	27,846	9,281	1,171	10,380
2009	58,484	23,964	9,467	985	10,380
2010	62,643	19,805	9,656	796	10,380
2011	67,097	15,352	9,850	603	10,380
2012-2014	148,820	16,079	20,297	609	25,955
Total	<u>\$ 442,624</u>	<u>\$ 134,516</u>	<u>\$ 67,651</u>	<u>\$ 5,517</u>	<u>\$ 77,855</u>

<u>Year Ending</u> <u>December 31</u>	<u>Loan - Canal Winchester</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 19,058	\$ 2,909	\$ 89,516	\$ 35,732
2008	38,214	5,721	112,477	34,738
2009	-	-	78,331	24,949
2010	-	-	82,679	20,601
2011	-	-	87,327	15,955
2012 - 2014	-	-	195,072	16,687
Total	<u>\$ 57,272</u>	<u>\$ 8,630</u>	<u>\$ 645,402</u>	<u>\$ 148,662</u>

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 8 - 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 2006 and 2005, 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. For 2006 and 2005, OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.70% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. At December 31, 2006, amounts for the years ended 2006 and 2005 have been paid.

**NOTE 9 - 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.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 10 - INTERFUND TRANSACTIONS**

The Village had the following interfund transactions for the year ended December 31, 2006:

<u>Fund Type/Fund</u>	<u>Advance In</u>	<u>Advance Out</u>	<u>Transfer In</u>	<u>Transfer Out</u>
GENERAL FUND	\$ -	\$ 28,000	\$ -	\$ 10,000
<u>SPECIAL REVENUE FUND:</u>				
Internet	8,000	-	-	-
Parks and Recreation	-	-	10,000	-
Total Special Revenue Funds	<u>8,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
<u>ENTERPRISE FUNDS:</u>				
Stormwater	20,000	-	-	-
Total Enterprise Funds	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

The transfers from the General fund are to subsidize other funds activities.

The above transfers were made in accordance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 11 - CONTINGENT LIABILITY**

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



**Julian & Grube, Inc.**  
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**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***

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

We have audited the financial statements of the Village of Lithopolis, Fairfield County, Ohio, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 15, 2009, wherein we noted the Village of Lithopolis followed accounting practices the Auditor of State prescribes 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 the *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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Lithopolis's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Lithopolis's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Members of Council and Mayor  
Village of Lithopolis

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2006-VOL-001 through 2006-VOL-005.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Of the significant deficiencies described above we consider all to be material weaknesses.

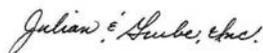
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Lithopolis's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 ten instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2006-VOL-006 through 2006-VOL-015.

We noted certain matters that we reported to the management of the Village of Lithopolis in a separate letter dated January 15, 2009.

The Village of Lithopolis's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village of Lithopolis's responses and, accordingly, we express no opinion on them.

This report is intended solely 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.  
January 15, 2009

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2006-VOL-001

Significant Deficiency/Material Weakness

The bank statement and fund balances were not reconciled monthly and records were not in an auditable format until May 2008.

It is important to properly reconcile bank statements monthly and keep up to date with recording of financial data. This facilitates the financial management of the Village.

We recommend that the financial activity and bank reconciliations be presented to the Village Council monthly. We further recommend that the Village review and sign off on all monthly bank reconciliations, supporting documentation and detail data timely. We further recommend the Village consider obtaining a periodic review of transactions recorded and bank reconciliations prior to year end close by a responsible fiscal person. This will help ensure any discrepancies found can be corrected and thus help facilitate more accurate financial reporting.

Client Response: The Village Council will attempt to review the monthly bank reconciliations and financial data in a timely manner.

Finding Number	2006-VOL-002
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Significant Deficiency/Material Weakness

The Village had serious lack of control and direction regarding the accounting system and overall fiscal management. Appropriate financial reports were not provided to the Village Council to allow for effective monitoring over financial operations.

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 Village Council should monitor the financial operations of the Village regularly. Such monitoring should include review of budget versus actual data, detailed receipt reports, detailed expenditure reports and cash journals.

The present system lacks fiscal oversights and approvals and fails to meet the above expectations. Monitoring should be performed to ensure that management's objectives are being achieved, including operational, legal compliance and financial control objectives. Effective monitoring should entail identifying unexpected results or exceptions (including significant compliance exceptions), investigating underlying causes and taking corrective action.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-002 - (Continued)

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. To assist management in detecting potential material financial and/or compliance transactions that may affect financial operations, we recommend the Village Council become more involved in the review and monitoring of the Village financial operations. Some of the methods of monitoring may consist of, but may not be limited to, the following:

- Regular review of monthly budget to actual figures;
- Regular review of financial report summaries of sufficient detail (monthly detailed receipts, expenditures and fund balance reports and their respective fluctuations);
- Review of receipts/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of all expenditures;
- Review of unusual or significant items, long outstanding items, and;
- Review on monthly bank reconciliations.

*Client Response:* The Fiscal Officer will attempt to consolidate data to present on a monthly basis to the Village Council, along with supporting detailed information. 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.

Finding Number	2006-VOL-003
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Significant Deficiency/Material Weakness

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 were not accurately recorded.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-003 - (Continued)

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.

Finding Number	2006-VOL-004
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Significant Deficiency/Material Weakness

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

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-004 - (Continued)

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 2006 and 2005 in an easily traceable format due to the Village not using 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, etc. As a result, appropriate records cannot be maintained in an easily traceable format. This significantly decreases the ability to report the data in a timely manner.

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. In addition, Village Council should periodically review these records to help ensure they are available, accurate and complete.

*Client Response:* The Village will investigate its software options for accounting for fiscal activities and the management will take a more active role in requiring the above documentation to be presented in a timely manner.

Finding Number	2006-VOL-005
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Significant Deficiency/Material Weakness

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 to the Village accounting system 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.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-005 - (Continued)

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.

Finding Number	2006-VOL-006
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

The Village had disbursements in excess of appropriations in the following funds at December 31, 2006:

<u>Fund Type/Fund</u>	<u>2006</u>
General	\$ 4,276
<u>Special Revenue Fund Type:</u>	
Parks and Recreation	1,714
Construction Inspection	26,051
Internet Utility	26,777
Solid Waste Utility	13,675

Disclosure is presented at the fund level rather than at the department and item level within the fund due to the impracticality of determining these values. In addition, the Village had expenditures in excess of appropriations for all months up to February 28 during 2005 and up to April 4 during 2006 due to no annual appropriation ordinances being passed until those dates.

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

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-006 - (Continued)

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.

Finding Number	2006-VOL-007
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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.

The Village Fiscal Officer issued Purchase Orders; however, in 2005, 77.32%, and in 2006, 91.96% of disbursements were dated prior to the certificate and the certificates were drawn off of approved temporary appropriations for the years ended December 31, 2006 and 2005.

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 Purchase Orders in a more timely manner based on approved permanent appropriations.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
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Finding Number	2006-VOL-008
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Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

The Village had appropriations exceeding estimated resources in all funds as a result of not certifying any estimated resources for the year ended December 31, 2006.

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	2006-VOL-009
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Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

For the year ended December 31, 2006, the Village did not certify the total amount from all sources available with the County Auditor.

When required by law, the Village should be certifying the total amount from all sources available with the County Auditor by the required date.

We recommend that the Village consult the Ohio Compliance Supplement and its auditors to ensure that Village fund balances agree to audited reports. These reports should be filed in a timely manner. This will enable the County Auditor to perform the proper certification with accurate information.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-009 - (Continued)

*Client Response:* The Fiscal Officer will attempt to certify funds and estimated resources with the County Auditor in a more timely manner.

Finding Number	2006-VOL-010
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

The Village did not timely modify its appropriations throughout 2006 and 2005.

When appropriations are not modified by Council in a timely manner, it may cause expenditures to exceed appropriations. This may also result in unnecessary or unwanted purchases and may result in overspending which may lead to a deficit fund balance.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations prior to year end. In addition, the Village should monitor its budgetary process on a regular basis.

*Client Response:* The Fiscal Officer will attempt to amend appropriations as needed throughout the year in an effort to more closely monitor the Village's budget.

Finding Number	2006-VOL-011
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Ohio Revised Code Section 5705.38 requires local governments to file an appropriation measure on or about the first of the year. An entity has the option to postpone the permanent appropriation until April 1<sup>st</sup>; however, a temporary measure must be passed.

The Village could not provide evidence of any approved temporary appropriations for 2005. The permanent appropriations were not approved until February 28, 2005, however there were disbursements made prior to February 28, 2005.

The Village is not able to effectively budget, nor legally spend monies without an appropriation measure (temporary or permanent) in place.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-011 - (Continued)

We recommend the Village prepare a tickler file to ensure appropriation measures are passed in a timely manner. We further recommend that the Village Council consider approving temporary appropriations if it is anticipated that approved permanent appropriations will be delayed until April 1<sup>st</sup>.

*Client Response:* The Fiscal Officer will attempt to monitor deadlines more closely and file appropriations in a more timely manner.

Finding Number	2006-VOL-012
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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 2006 and 2005 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**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-013

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the Fiscal Officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Village did not request timely amended certificates through the year ended December 31, 2006.

The Village is not properly certifying its most current estimated resources to the appropriate authorities, thus causing appropriations to exceed estimated resources.

We recommend that the Village review its available resources versus its appropriations throughout the year and at year end and file amended certificates as necessary. This will facilitate the Village's appropriation process.

*Client Response:* The Fiscal Officer will attempt to monitor the budget more closely and file amended certificates when necessary.

Finding Number	2006-VOL-014
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Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2006, the Village had appropriations greater than actual resources, which consist of actual revenues, beginning fund balance and prior year encumbrances appropriated in the following funds:

2006

Enterprise Funds:

	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Water	\$ 1,078,856	\$ 1,136,562	\$ 57,706
Sewer	511,603	870,722	359,119

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-014 - (Continued)

By appropriating more funds than actual resources, the Village is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

*Client Response:* The Village is attempting to monitor the budget more closely.

Finding Number	2006-VOL-015
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Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end.

The Village maintained a negative cash fund balance in the following fund at December 31, 2006:

<u>Special Revenue Fund:</u>	
Construction inspection	\$ (21,403)

By having a negative fund balance, this fund has spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of cash management.

We recommend that the Village properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the Village should advance or transfer funds from the General Fund with proper Council approval.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOL-015 - (Continued)

*Client Response:* The Village will advance monies as necessary to cover temporary negative cash fund balances. The Village will also incorporate cash requests into their monthly closing process to utilize House Bill No. 276.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
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.	No	Not corrected; Finding is repeated as number 2006-VOL-012
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.	No	Not corrected; Finding is repeated as number 2006-VOL-006
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.	No	Not corrected; Finding is repeated as number 2006-VOL-007
2004-VOL-004	Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies then estimated resources.	No	Partially corrected; Finding is repeated as number 2006-VOL-008
2004-VOL-005	The Village has a serious lack of control and direction regarding the accounting system and overall fiscal management.	No	Not corrected; Finding will be repeated as number 2006-VOL-002
2004-VOL-006	The Village does not use an adequate governmental computer system to account for its general accounting and payroll functions.	No	Not corrected; Finding is repeated as number 2006-VOL-004

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-VOL-007	The Fiscal Officer recorded property and income tax proceeds at net and did not record related deductions as expenditures.	No	Partially corrected; Finding is repeated as number 2006-VOL-003
2004-VOL-008	The Fiscal Officer is not maintaining proper records.	No	Not corrected; Finding is repeated as number 2006-VOL-004
2004-VOL-009	The Village Council was only provided fund reports on a sporadic basis, including budget to actual activity relating to receipts and disbursements.	No	Not corrected; Finding is repeated as number 2006-VOL-002
2004-VOL-010	The Fiscal Officer did not record receipts in a timely manner or in a easily traceable format.	No	Not corrected; Finding is repeated as number 2006-VOL-005

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
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.	No	Not corrected; Finding is repeated as number 2006-VOL-012
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.	No	Not corrected; Finding is repeated as number 2006-VOL-006
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.	No	Not corrected; Finding is repeated as number 2006-VOL-007
2004-VOL-004	Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.	No	Partially corrected; Finding is repeated as number 2006-VOL-008
2004-VOL-005	The Village has a serious lack of control and direction regarding the accounting system and overall fiscal management.	No	Not corrected; Finding will be repeated as number 2006-VOL-002
2004-VOL-006	The Village does not use an adequate governmental computer system to account for its general accounting and payroll functions.	No	Not corrected; Finding is repeated as number 2006-VOL-004

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-VOL-007	The Fiscal Officer recorded property and income tax proceeds at net and did not record related deductions as expenditures.	No	Partially corrected; Finding is repeated as number 2006-VOL-003
2004-VOL-008	The Fiscal Officer is not maintaining proper records.	No	Not corrected; Finding is repeated as number 2006-VOL-004
2004-VOL-009	The Village Council was only provided fund reports on a sporadic basis, including budget to actual activity relating to receipts and disbursements.	No	Not corrected; Finding is repeated as number 2006-VOL-002
2004-VOL-010	The Fiscal Officer did not record receipts in a timely manner or in a easily traceable format.	No	Not corrected; Finding is repeated as number 2006-VOL-005



**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  
DECEMBER 15, 2009**