



Dave Yost • Auditor of State



VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY

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# Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

July 15, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Lithopolis, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's 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 the Comptroller General of the United States' *Government Auditing Standards*. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position 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 Village of Lithopolis, Fairfield County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village 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 July 15, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



**Dave Yost**  
Auditor of State

July 15, 2011

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 50,448	\$ 5,865	\$ -	\$ 56,313
Municipal Income Tax	284,793	-	-	284,793
Intergovernmental	153,953	58,452	537,460	749,865
Special Assessments	750	-	-	750
Charges for Services	312	144,578	-	144,890
Fines, Licenses and Permits	72,711	4,364	-	77,075
Earnings on Investments	747	112	-	859
Miscellaneous	26,128	-	-	26,128
	<u>589,842</u>	<u>213,371</u>	<u>537,460</u>	<u>1,340,673</u>
<b>Total Cash Receipts</b>				
	<u>589,842</u>	<u>213,371</u>	<u>537,460</u>	<u>1,340,673</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	159,369	20,500	-	179,869
Public Health Services	3,771	-	-	3,771
Leisure Time Activities	-	26,692	-	26,692
Community Environment	33,621	-	-	33,621
Basic Utility Service	-	106,735	-	106,735
Transportation	-	172,777	-	172,777
General Government	371,129	-	-	371,129
Capital Outlay	-	-	537,460	537,460
	<u>-</u>	<u>-</u>	<u>537,460</u>	<u>537,460</u>
<b>Total Cash Disbursements</b>	<u>567,890</u>	<u>326,704</u>	<u>537,460</u>	<u>1,432,054</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>21,952</u>	<u>(113,333)</u>	<u>-</u>	<u>(91,381)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In	-	8,000	-	8,000
Transfers-Out	(8,000)	-	-	(8,000)
Advances-In	100,000	-	-	100,000
Other Financing Sources	14,781	-	-	14,781
Other Financing Uses	-	(867)	-	(867)
	<u>-</u>	<u>(867)</u>	<u>-</u>	<u>(867)</u>
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>106,781</u>	<u>7,133</u>	<u>-</u>	<u>113,914</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>128,733</u>	<u>(106,200)</u>	<u>-</u>	<u>22,533</u>
<b>Fund Cash Balances, January 1</b>	<u>(85,286)</u>	<u>192,574</u>	<u>-</u>	<u>107,288</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 43,447</u>	<u>\$ 86,374</u>	<u>\$ -</u>	<u>\$ 129,821</u>

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

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 301,073	\$ -	\$ 301,073
Miscellaneous	172,039	-	172,039
<b>Total Operating Cash Receipts</b>	<b>473,112</b>	<b>-</b>	<b>473,112</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	93,708	-	93,708
Employee Fringe Benefits	19,729	-	19,729
Contractual Services	157,521	-	157,521
Supplies and Materials	36,397	-	36,397
Other	2,649	-	2,649
<b>Total Operating Cash Disbursements</b>	<b>310,004</b>	<b>-</b>	<b>310,004</b>
Operating Income	163,108	-	163,108
<b>Non-Operating Cash Receipts:</b>			
Special Assessments	33,695	-	33,695
Miscellaneous Receipts	2,721	-	2,721
Other Non-Operating Cash Receipts	-	45,268	45,268
<b>Total Non-Operating Cash Receipts</b>	<b>36,416</b>	<b>45,268</b>	<b>81,684</b>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	23,653	-	23,653
Redemption of Principal	160,328	-	160,328
Interest and Other Fiscal Charges	154,997	-	154,997
Other Non-Operating Cash Disbursements	-	47,481	47,481
<b>Total Non-Operating Cash Disbursements</b>	<b>338,978</b>	<b>47,481</b>	<b>386,459</b>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(139,454)	(2,213)	(141,667)
Capital Contributions	18,000	-	18,000
Advances-Out	(100,000)	-	(100,000)
Net Receipts (Under) Disbursements	(221,454)	(2,213)	(223,667)
Fund Cash Balances, January 1	381,874	7,860	389,734
<b>Fund Cash Balances, December 31</b>	<b>\$ 160,420</b>	<b>\$ 5,647</b>	<b>\$ 166,067</b>

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

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 43,833	\$ 8,536	\$ 52,369
Municipal Income Tax	234,500	-	234,500
Intergovernmental	506,138	41,242	547,380
Charges for Services	11,065	142,175	153,240
Fines, Licenses and Permits	41,319	2,075	43,394
Earnings on Investments	36	12	48
Miscellaneous	108,346	10,491	118,837
	<u>945,237</u>	<u>204,531</u>	<u>1,149,768</u>
<b>Total Cash Receipts</b>			
	<u>945,237</u>	<u>204,531</u>	<u>1,149,768</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	165,405	24,255	189,660
Public Health Services	3,900	-	3,900
Leisure Time Activities	-	1,008	1,008
Community Environment	22,261	-	22,261
Basic Utility Service	-	121,708	121,708
Transportation	-	14,017	14,017
General Government	520,377	-	520,377
	<u>711,943</u>	<u>160,988</u>	<u>872,931</u>
<b>Total Cash Disbursements</b>			
	<u>711,943</u>	<u>160,988</u>	<u>872,931</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>233,294</u>	<u>43,543</u>	<u>276,837</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Advances-Out	(236,238)	-	(236,238)
Other Financing Sources	200	-	200
	<u>(236,038)</u>	<u>-</u>	<u>(236,038)</u>
<b>Total Other Financing Receipts / (Disbursements)</b>			
	<u>(236,038)</u>	<u>-</u>	<u>(236,038)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(2,744)	43,543	40,799
<b>Fund Cash Balances, January 1</b>	(82,542)	149,031	66,489
	<u>(82,542)</u>	<u>149,031</u>	<u>66,489</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ (85,286)</b></u>	<u><b>\$ 192,574</b></u>	<u><b>\$ 107,288</b></u>

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

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 313,432	\$ -	\$ 313,432
Miscellaneous	216,322	-	216,322
Total Operating Cash Receipts	<u>529,754</u>	<u>-</u>	<u>529,754</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	102,693	-	102,693
Employee Fringe Benefits	24,920	-	24,920
Contractual Services	94,386	-	94,386
Supplies and Materials	39,880	-	39,880
Other	89,506	-	89,506
Total Operating Cash Disbursements	<u>351,385</u>	<u>-</u>	<u>351,385</u>
Operating Income	<u>178,369</u>	<u>-</u>	<u>178,369</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	4,170	-	4,170
Special Assessments	33,956	-	33,956
Sale of Notes	250,000	-	250,000
Other Non-Operating Cash Receipts	4,912	41,319	46,231
Total Non-Operating Cash Receipts	<u>293,038</u>	<u>41,319</u>	<u>334,357</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	124,713	-	124,713
Redemption of Principal	108,464	-	108,464
Interest and Other Fiscal Charges	99,268	-	99,268
Other Non-Operating Cash Disbursements	-	41,319	41,319
Total Non-Operating Cash Disbursements	<u>332,445</u>	<u>41,319</u>	<u>373,764</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	138,962	-	138,962
Capital Contributions	6,000	-	6,000
Advances-In	236,238	-	236,238
Net Receipts Over Disbursements	381,200	-	381,200
Fund Cash Balances, January 1	<u>674</u>	<u>7,860</u>	<u>8,534</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 381,874</u></b>	<b><u>\$ 7,860</u></b>	<b><u>\$ 389,734</u></b>

*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, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lithopolis, Fairfield County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and police services. All Village residents are also residents of Bloom Township and receive fire and ambulance services from the Township.

The Village's management believes these financial statements present 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 Auditor of State prescribes or permits.

**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 and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Solid Waste Utility – This fund receives charges for services payments for trash collections provided by the Village

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

OPWC Fund – This fund received Ohio Public Works Commissions funding for a road construction project.

**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 water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**5. Fiduciary Funds**

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

The Village has no private purpose trust 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 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.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**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 also approve estimated resources.

**3. Encumbrances**

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. 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 pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

Total deposits	<u>2010</u> <u>\$295,888</u>	<u>2009</u> <u>\$497,022</u>
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**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$581,612	\$604,623	\$23,011
Special Revenue	205,980	221,371	15,391
Capital Projects	537,460	537,460	0
Enterprise	673,792	527,528	(146,264)
Fiduciary	60,000	45,268	(14,732)
Total	<u>\$2,058,844</u>	<u>\$1,936,250</u>	<u>(\$122,594)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$597,171	\$575,890	\$21,281
Special Revenue	362,400	327,571	34,829
Capital Projects	537,460	537,460	0
Enterprise	838,092	648,982	189,110
Fiduciary	60,000	47,481	12,519
Total	<u>\$2,395,123</u>	<u>\$2,137,384</u>	<u>\$257,739</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,149,184	\$945,437	(\$203,747)
Special Revenue	55,088	204,531	149,443
Enterprise	1,111,563	828,792	(282,771)
Fiduciary	32,000	41,319	9,319
Total	<u>\$2,347,835</u>	<u>\$2,020,079</u>	<u>(\$327,756)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$655,459	\$711,943	(\$56,484)
Special Revenue	203,000	160,988	42,012
Enterprise	704,799	683,830	20,969
Fiduciary	5,245	41,319	(36,074)
Total	<u>\$1,568,503</u>	<u>\$1,598,080</u>	<u>(\$29,577)</u>

Contrary to Ohio law, at December 31, 2009, the General Fund had a cash deficit balance of \$85,286 and the Internet Fund had a cash deficit balance of \$1,732.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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.

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

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

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

**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, 2010 was as follows:

	Principal	Interest Rate
OPWC: Water Distribution Improvement	\$31,142	0.00%
OWDA - 3920: Water System Improvements	\$2,684,887	4.35%
OWDA - 1685/0844: Water System Design	\$215,915	7.11%
OWDA - 2772/0217: Sewer Collection System	\$30,147	2.00%
Bond Anticipation Note: Municipal Building	\$235,000	6.00%
Capital Lease Agreement	47,968	
Total	\$3,245,059	

The Ohio Public Works Commission (OPWC) loan #CQ507 was awarded for the water distribution improvement project on January 1, 1994 in the amount of \$212,312. The loan will be repaid in semiannual payments of \$5,190 until it matures on 01/01/2014.

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 07/01/2034.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Debt (Continued)**

The Ohio Water Development Authority (OWDA) loan #1685/0844 relates to the water system design, and was awarded in March of 1987 in the amount of \$2,815,456. Payments for this loan began 01/01/1989 and the loan will mature on 07/01/2013.

The Ohio Water Development Authority (OWDA) loan #2772/0217 relates to the sewer collection system, and was awarded in March of 1987 in the amount of \$200,000. Payments for this loan began 01/01/1989 and the loan will mature on 07/01/2013.

The Village issued a Bond Anticipation note from Vinton County Bank on July 1, 2009 in the amount of \$250,000 with an interest rate of 6.00% for the new Village administration and utilities office. Payments for this loan began on 5/31/2010 and the loan will mature on 6/01/2012.

The Lease Agreement for the two new police cruisers was initiated in April of 2010 in the amount of \$47,968. Payments for this lease begin in 2011 and the loan will mature in 2014.

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

Year ending December 31:	OPWC	OWDA 3920	OWDA 1685/0844	OWDA 2772/0217	Vinton County National Bank	Lease Agreement
2011	\$10,380	\$181,357	\$82,449	\$10,452	\$15,900	\$13,998
2012	10,380	181,357	82,449	10,452	219,100	13,998
2013	10,382	181,357	82,448	10,452	0	13,999
2014	0	181,357	0	0	0	13,999
2015	0	181,357	0	0	0	0
2016-2020	0	906,783	0	0	0	0
2021-2025	0	906,783	0	0	0	0
2026-2030	0	906,783	0	0	0	0
2031-2034	0	725,423	0	0	0	0
Total	<u>\$31,142</u>	<u>\$4,352,557</u>	<u>\$247,346</u>	<u>\$31,356</u>	<u>\$235,000</u>	<u>\$55,994</u>

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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. Subsequent Events**

On July 1, 2010, the Village entered into a \$655,250 OPWC loan (CQ10N) at 0% for 30 years for the Columbus Street Reconstruction project. There was no activity until 2011, and the first payment is not due until January 2012.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 the financial statements of Village of Lithopolis, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 15, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

### **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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-02 and 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 15, 2011.

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

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

July 15, 2011

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-01**

**Material Weakness**

**Financial Statement Adjustments**

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

The following audit adjustments were made to the financial statements and, where applicable, the Village's accounting records:

**2010**

- Other financing sources were overstated by \$65,176 intergovernmental receipts were understated by \$47,110, and miscellaneous receipts were understated by \$18,066 in the General Fund.
- Property and other local tax receipts were overstated and intergovernmental receipts were understated by \$13,203 in the Special Revenue Fund.
- Special assessments receipts were overstated and intergovernmental receipts were understated by \$537,460 in the Capital Projects Fund.
- Interest and other fiscal charges disbursements were overstated and principal retirement was understated by \$160,328 in the Enterprise Fund.
- An advance repayment from the Enterprise Fund to the General Fund in the amount of \$100,000 was posted as a fund balance adjustment.
- A transfer from the General Fund to the Special Revenue Fund in the amount of \$8,000 was posted as a fund balance adjustment.

**2009**

- Intergovernmental receipts and advances out were understated by \$236,238 in the General Fund.
- Intergovernmental receipts were overstated and advances-in were understated by \$236,238 in the Enterprise Fund.
- Other financing sources were overstated and sale of note receipts were understated by \$250,000 in the Enterprise Fund.
- Interest and other fiscal charges disbursements were overstated and principal retirement was understated by \$108,464 in the Enterprise Fund.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Village develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year.

**Official's Response:**

Village officials believe that this issue will be substantially addressed in the future by the utilization of the UAN accounting system.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-02**

**Noncompliance**

**Prior Certification - Ohio Rev. Code Section 5705.41(D)**

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now" certificates - 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the Village.

2. Blanket certificates - 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 operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-02 (Continued)**

The Village did not certify the availability of funds prior to the purchase commitment for 88% of expenditures tested during 2010 and 2009.

Unless the exceptions noted above are used, prior certification is not only required by statute but is 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 the funds are or will be available prior to obligation by the Fiscal Officer. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:**

Village officials believe that this issue will be substantially addressed in the future by the utilization of the UAN accounting system.

**FINDING NUMBER 2010-03**

**Noncompliance**

**Negative Fund Balances**

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

The Village had the following negative fund balances: \$85,286 and \$1,732 in the General and Internet Funds respectively, in 2009.

All Village fund cash balances at December 31, 2010, were in a positive position.

Village management and Council should monitor fund balances to ensure that expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, Council should make an approved transfer or advance of funds to cover the necessary expenditure.

**Official's Response:**

Village officials believe that this issue will be substantially addressed in the future by the utilization of the UAN accounting system.

**VILLAGE OF LITHOPOLIS  
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2008-001	Not Properly Maintaining Records – Material Noncompliance/Significant Deficiency/Material Weakness	No	Reissued in the management letter
2008-002	Bank Reconciliations /Monitoring Practices – Significant Deficiency/Material Weakness	No	Reissued in the management letter
2008-003	Financial Reporting - Significant Deficiency/Material Weakness	No	Reissued as Finding 2010-01
2008-004	Budgetary- Noncompliance/Significant Deficiency/Material Weakness	No	Reissued as Finding 2010-02 and 2010-03 and in the management letter
2008-005	Revenue Posting Errors – Noncompliance/Significant Deficiency/Material Weakness	No	Reissued in the management letter
2008-006	Mayor's Court – Incorrect fund distributions- Material Noncompliance/Significant Deficiency/Material Weakness	Yes	
2008-007	Payroll Allocation – Noncompliance/Significant Deficiency/Material Weakness	Yes	
2008-008	Financial Presentation - Noncompliance/Significant Deficiency/Material Weakness	No	Reissued in the management letter
2008-009	Bonding – Noncompliance	Yes	
2008-010	Cash Collection Points – Noncompliance	Yes	
2008-011	Annual Financial Reports – Noncompliance	Yes	



# 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  
SEPTEMBER 6, 2011