



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

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Members of Council
Village of Lithopolis
11820 Lithopolis Road
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We have reviewed the *Independent Auditor's Report* of the Village of Lithopolis, Fairfield County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery-Overpayment of Mayor

As Mayor for the Village of Lithopolis from January 1, 2004 through December 31, 2015, Eric Sandine was responsible for overseeing the daily operations of the Village, presiding over Village council meetings and drafting policies and procedures to submit to council for review and approval.

Village Ordinance 16-07 became effective January 1, 2008 and states, in part, the Mayor will be "compensated at the rate of \$62,500 per year and shall be considered an FLSA Overtime Exempt employee. The Mayor shall be paid and receive all benefits as a Full Time Village employee."

On January 1, 2014, Mr. Sandine implemented revisions to the Village's 2009 policies and procedures manual; however, the changes were not reviewed and approved by Village Council. Among other things, the 2014 revisions increased the compensatory time to be paid from 75% to 100% of the employee's rate of pay, removed limitations on vacation leave, sick leave and compensatory time, and instituted a policy allowing compensatory time payout upon separation. Benefits Mr. Sandine received based upon the changes made to the 2014 policy and procedures manual amounted to an in-term pay increase and were unallowable.

Finding for Recovery- Overpayment of Mayor (continued)

Mr. Sandine was paid in excess of the authorized amount per Ordinance 16-07 in 2014 (\$4,808), 2015 (\$16,830), and 2016 (\$6,742) based upon Mr. Sandine's W-2 statements. For this period, the Village was unable to locate any time sheets or payroll reports, and the payroll processing agent for the Village was unable to provide pay stubs for each pay period to explain the excess amounts. According to 2015 paystubs obtained from the Village, Mr. Sandine received payouts of vacation leave and compensatory time during the calendar year. Prior to termination of Mr. Sandine's employment with the Village, he also received two manual checks totaling \$21,619, which included payouts of sick leave, vacation leave and compensatory time. These manual checks were not issued through the payroll processing agent, and therefore, did not have taxes withheld from the payments.

Due to the lack of available supporting documentation for the entire period, we were unable to calculate the portion of vacation leave and compensatory time Mr. Sandine would have been entitled to receive. Based upon the 2015 paystubs, Mr. Sandine accrued vacation leave at rates of 6.9 and 7.7 hours per pay period. These rates were in excess of the 4.6 hours per pay period Mr. Sandine was entitled to receive based on his actual service time according to Village Ordinance 16-07 and the 2009 policies and procedures manual. Additionally, Mr. Sandine should have been forfeiting vacation leave during the period due to his leave balance exceeding the three year maximum accrual allowed per the 2009 policies and procedures manual. We could not determine if Mr. Sandine was paid compensatory time in accordance with the 2009 policies and procedures manual.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mayor, Eric Sandine, regarding his former term in office in the amount of \$49,999, and in favor of the Village of Lithopolis' General Fund.

Finding for Recovery-Severance Payments

The **Village of Lithopolis Policies and Procedures Manual** revised on January 1, 2014 outlines policies related to vacation and sick leave for Village employees.

Section 3.10 Vacations states that the Village will provide annual vacation leave for all three-fourths (3/4) time and full-time employees. After one year of continuous service, employees earn 3.1 hours per pay period. Upon separation from service, a Village employee shall be entitled to compensation for the prorated portion of any earned by unused vacation leave in accordance with **Section 3.13**. This does not apply to those employees who have less than one year of service.

Section 3.11 Sick Leave states that for each completed eighty hours in active pay status, an employee earns 3.2 hours of sick leave, with unlimited accumulation.

Finding for Recovery-Severance Payments (continued)

Section 3.13 Separation Pay or Conversion of Leave states an employee who separates shall be eligible for liquidated earned but unused sick leave pay at 50% rate of pay and shall be eligible for liquidated earned by unused vacation leave at 100% rate of pay, and compensatory time shall not be limited in hours and shall be paid at the regular hourly rate at the time of separation.

The Village paid the following severance payments upon separation of employment:

- Terra Wynkoop received payroll checks from the Village from June 1, 2016 through January 11, 2017. On January 11, 2017 Terra Wynkoop was paid a severance payment that included a payment of accumulated vacation leave even though she had less than one year of service with the Village. In addition, the sick leave balance was paid out at the full pay rate rather than at 50% of the pay rate. However, there were hours worked by Terra Wynkoop at the beginning of her employment in 2016 that were not paid by the Village, resulting in a net overpayment of \$173.
- Theodore Simon served as mayor of the Village of Lithopolis in 2016. On December 28, 2016 Theodore Simon was paid a severance payment that included accumulated sick leave paid out at the full pay rate rather than at 50% of the pay rate resulting in an overpayment of \$1,202.
- Scott Gilliland served as mayor of the Village of Lithopolis in 2017. On December 13, 2017 Scott Gilliland was paid a severance payment that included accumulated sick leave paid out at the full pay rate rather than at 50% of the pay rate resulting in an overpayment of \$201.
- Gehni Wilson received notification through a letter from Mayor, Joe Taylor which stated she was being laid off as of January 3, 2018 and would be paid two weeks of severance pay and a payout of accrued leave. The two weeks of severance pay was not authorized by Village Council or outlined within the Village handbook. In addition, the accumulated sick leave paid out was paid out at the full pay rate rather than at 50% of the pay rate resulting in an overpayment of \$1,379.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Terra Wynkoop for \$173, Theodore Simon for \$1,202, Scott Gilliland for \$201, and Gehni Wilson for \$1,379, and in favor of the Village of Lithopolis General Fund.

Finding for Recovery-Severance Payments (continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Also in accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Terra Wynkoop will be jointly and severally liable for \$1,202 in favor of the Village’s General Fund, and Jamie Argyle will be jointly and severally liable for \$1,580 in favor of the Village’s General Fund.

Finding for Recovery-Payroll

Ohio Rev. Code § 731.20 states that ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk of the legislative authority of the municipal corporation. A succinct summary of ordinances of a general nature or providing for improvements shall be published as provided by sections 731.21 and 731.22 of the Revised Code before going into operation. No ordinance shall take effect until the expiration of ten days after the first publication of such notice. As soon as a bylaw, resolution, or ordinance is passed and signed, it shall be recorded by the clerk in a book furnished by the legislative authority for that purpose.

Ohio Rev. Code § 731.21(A) states that a succinct summary of each municipal ordinance or resolution and all statements, orders, proclamations, notices, and reports required by law or ordinance to be published shall be published in a newspaper of general circulation in the municipal corporation. Proof of the publication and required circulation of any newspaper used as a medium of publication as provided by this section shall be made by affidavit of the proprietor of the newspaper, and shall be filed with the clerk of the legislative authority.

Ohio Rev. Code § 731.22(A) states that the publication required in section 731.21 of the Revised Code shall be for the summaries of ordinances or resolutions, and proclamations of elections, once a week for two consecutive weeks or as provided in section 7.16 of the Revised Code.

Village of Lithopolis Ordinance 22-17 established pay rates effective October 1, 2017. However, a summary of the ordinance was published in the area newspaper for the first time on November 13, 2017. Therefore, the Ordinance would first be in effect for the pay period ending December 9, 2017 per the Ohio Revised Code.

Finding for Recovery-Payroll (continued)

Village of Lithopolis Ordinance 06-18 repealed Ordinance 22-17 and reduced pay rates that were in place as of October 1, 2017. A summary of the ordinance was published in the area newspaper for the first time on February 20, 2018 and would be first in effect for the pay period ending March 17, 2018. However, employees had their pay rates reduced starting with the pay date ending January 20, 2018.

The pay rates authorized in the Village Ordinances listed above were not implemented for payment on the correct dates in accordance with Ohio Rev. Code § 731.20. This resulted in overpayments being made to the following employees.

Employee	Amount that should have been paid per Ordinances	Actual Amount Paid	Over payment amount
Jamie Argyle	\$11,401	\$11,690	\$289
John Abram	\$10,281	\$10,457	\$176
Kevin Lawson	\$10,301	\$10,473	\$172
Randall Praither	\$11,384	\$11,902	\$518
Benjamin Roderick	\$11,506	\$11,716	\$210
Amanda Wolin	\$10,096	\$10,267	\$171
Gehni Wilson	\$4,438	\$4,748	\$310
Wesley Barton	\$17,404	\$18,565	\$1,161
		Total	\$3,007

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against all parties and amounts listed in the table above, and in favor of the following funds of the Village of Lithopolis General Fund (\$2,459), Right of Way Fund (\$200), and Sewer Operating Fund (\$348).

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Also in accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Jamie Argyle will be jointly and severally liable for \$2,718; of which \$2,249 is in favor of the Village’s General fund and \$121 is in favor of the Village’s Right of Way Fund, and \$348 is in favor of the Village’s Sewer Operating Fund.

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

A handwritten signature in black ink, reading "Keith Faber". The signature is written in a cursive style with a large initial "K".

Keith Faber
Auditor of State
Columbus, Ohio

July 8, 2020

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Lithopolis
Fairfield County
11820 Lithopolis Road
P.O. Box 278
Lithopolis, Ohio 43136

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lithopolis, Fairfield County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lithopolis, Fairfield County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
August 20, 2019

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 65,789	\$ -	\$ -	\$ 65,789
Municipal Income Tax	623,792	206,746	-	830,538
Intergovernmental	28,931	79,385	-	108,316
Special Assessments	-	2,013	42,073	44,086
Fines, Licenses, and Permits	82,654	6,171	-	88,825
Earnings on Investments	2,523	53	-	2,576
Miscellaneous	604	-	-	604
Total Cash Receipts	<u>804,293</u>	<u>294,368</u>	<u>42,073</u>	<u>1,140,734</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	265,317	2,500	-	267,817
Public Health Services	177	-	-	177
Leisure Time Activities	-	3,100	-	3,100
Community Environment	2,000	-	-	2,000
Transportation	-	27,138	-	27,138
General Government	356,357	844	773	357,974
Capital Outlay	-	-	19,000	19,000
Debt Service:				
Principal Retirement	-	134,640	-	134,640
Interest and Fiscal Charges	-	6,926	-	6,926
Total Cash Disbursements	<u>623,851</u>	<u>175,148</u>	<u>19,773</u>	<u>818,772</u>
Excess of Receipts Over/(Under) Disbursements	180,442	119,220	22,300	321,962
Other Financing Receipts (Disbursements):				
Transfers-Out	(80,000)	-	-	(80,000)
Other Financing Sources	40	-	-	40
Other Financing Uses	-	(750)	-	(750)
Total Other Financing Receipts (Disbursements)	<u>(79,960)</u>	<u>(750)</u>	<u>-</u>	<u>(80,710)</u>
Net Change in Fund Cash Balances	100,482	118,470	22,300	241,252
Fund Cash Balances, January 1	333,821	267,148	18,814	619,783
Fund Cash Balances, December 31				
Restricted	-	385,965	41,114	427,079
Assigned	434,303	-	-	434,303
Unassigned (Deficit)	-	(347)	-	(347)
Fund Cash Balances, December 31	<u>\$ 434,303</u>	<u>\$ 385,618</u>	<u>\$ 41,114</u>	<u>\$ 861,035</u>

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 855,777	\$ -	\$ 855,777
Fines, Licenses and Permits	-	15,113	15,113
Total Operating Cash Receipts	<u>855,777</u>	<u>15,113</u>	<u>870,890</u>
Operating Cash Disbursements:			
Personal Services	89,213	-	89,213
Employee Fringe Benefits	25,725	-	25,725
Contractual Services	564,929	-	564,929
Supplies and Materials	62,595	-	62,595
Other	-	5,833	5,833
Total Operating Cash Disbursements	<u>742,462</u>	<u>5,833</u>	<u>748,295</u>
Operating Income (Loss)	113,315	9,280	122,595
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	2,994	-	2,994
Capital Outlay	(23,248)	-	(23,248)
Principal Retirement	(88,209)	-	(88,209)
Interest and Fiscal Charges	(86,111)	-	(86,111)
Other Financing Sources	310	-	310
Total Non-Operating Cash Receipts (Disbursements)	<u>(194,264)</u>	<u>-</u>	<u>(194,264)</u>
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	(80,949)	9,280	(71,669)
Transfers In	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Net Change in Fund Cash Balances	(949)	9,280	8,331
Fund Cash Balances, January 1	<u>370,801</u>	<u>5,833</u>	<u>376,634</u>
Fund Cash Balances, December 31	<u>\$ 369,852</u>	<u>\$ 15,113</u>	<u>\$ 384,965</u>

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Lithopolis, Fairfield County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Solid Waste This fund receives charges for services from residents to cover cost of garbage services.

Fiduciary Funds

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

A summary of 2018 budgetary activity appears in Note 3.

Capital Assets

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

Fund Balance

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

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

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

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

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

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

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$862,280	\$804,333	(\$57,947)
Special Revenue	245,454	294,368	48,914
Capital Projects	22,500	42,073	19,573
Enterprise	961,536	939,081	(22,455)
Total	\$2,091,770	\$2,079,855	(\$11,915)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,005,974	\$703,851	\$302,123
Special Revenue	216,197	175,898	40,299
Capital Projects	41,500	19,773	21,727
Enterprise	1,166,240	940,030	226,210
Total	\$2,429,911	\$1,839,552	\$590,359

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$ 1,246,000

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes

Property Taxes

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.

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

Income Taxes

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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

The Village has obtained commercial insurance for the following risks:

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 10% of gross wages. The Village contributed an amount equal to 14% of participants' gross wages. The Village has paid all contributions required through December 31, 2018.

Social Security

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OPWC Loan CQ10N	\$ 524,200	0.00%
OPWC Loan CQ26S	778,344	0.00%
Series 2015 Improvement Bonds	175,000	1.98%
OWDA Loan 3920	2,074,929	4.35%
Total	\$ 3,552,473	

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

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

The Ohio Public Works Commission (OPWC) loan #CQ26S was awarded for the Columbus Street Reconstruction project in 2012 in the amount of \$833,940. The loan will be repaid in semiannual payments of \$13,899.00 until it matures on June 30, 2046.

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

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

Year Ending December 31:	OPWC Loan CQ10N	OPWC Loan CQ26S	OWDA Loan 3920	Road Improvement
2019	\$ 21,842	\$ 27,798	\$ 174,174	\$88,500
2020	21,842	27,798	174,500	91,800
2021	21,842	27,798	174,840	
2022	21,842	27,798	175,195	
2023	21,842	27,798	175,566	
2024-2028	109,208	138,990	883,986	
2029-2033	109,208	138,990	896,028	
2034-2038	109,208	138,990	180,894	
2039-2043	87,366	138,990		
2044-2048		83,394		
Total	<u>\$ 524,200</u>	<u>\$ 778,344</u>	<u>\$ 2,835,183</u>	<u>\$180,300</u>

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**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 52,581	\$ -	\$ -	\$ 52,581
Municipal Income Tax	548,917	180,007	-	728,924
Intergovernmental	39,304	66,251	-	105,555
Special Assessments	-	13,744	26,046	39,790
Charges for Services	478	7,943	-	8,421
Fines, Licenses, and Permits	130,336	9,330	-	139,666
Earnings on Investments	1,853	390	-	2,243
Miscellaneous	14,737	-	-	14,737
	<u>788,206</u>	<u>277,665</u>	<u>26,046</u>	<u>1,091,917</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	296,261	2,500	-	298,761
Public Health Services	324	-	-	324
Leisure Time Activities	-	866	-	866
Community Environment	1,949	-	-	1,949
Transportation	-	30,147	-	30,147
General Government	487,955	-	230	488,185
Capital Outlay	-	833,940	45,000	878,940
Debt Service:				
Principal Retirement	-	134,640	-	134,640
Interest and Fiscal Charges	-	6,926	-	6,926
	<u>786,489</u>	<u>1,009,019</u>	<u>45,230</u>	<u>1,840,738</u>
Excess of Receipts Over/(Under) Disbursements	1,717	(731,354)	(19,184)	(748,821)
Other Financing Receipts (Disbursements):				
Other Debt Proceeds	-	833,940	-	833,940
Transfers-Out	(100,000)	-	-	(100,000)
Other Financing Sources	682	-	-	682
Other Financing Uses	-	(1,250)	-	(1,250)
	<u>(99,318)</u>	<u>832,690</u>	<u>-</u>	<u>733,372</u>
Total Other Financing Receipts (Disbursements)	(99,318)	832,690	-	733,372
Net Change in Fund Cash Balances	(97,601)	101,336	(19,184)	(15,449)
Fund Cash Balances, January 1	431,422	165,812	37,998	635,232
Fund Cash Balances, December 31				
Restricted	-	267,148	18,814	285,962
Assigned	333,821	-	-	333,821
Fund Cash Balances, December 31	<u>\$ 333,821</u>	<u>\$ 267,148</u>	<u>\$ 18,814</u>	<u>\$ 619,783</u>

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 894,787	\$ -	\$ 894,787
Fines, Licenses and Permits	-	22,342	22,342
Total Operating Cash Receipts	894,787	22,342	917,129
Operating Cash Disbursements:			
Personal Services	157,178	-	157,178
Employee Fringe Benefits	31,204	-	31,204
Contractual Services	471,420	-	471,420
Supplies and Materials	108,649	-	108,649
Other	-	21,371	21,371
Total Operating Cash Disbursements	768,451	21,371	789,822
Operating Income (Loss)	126,336	971	127,307
Non-Operating Receipts (Disbursements)			
Special Assessments	214	-	214
Miscellaneous Receipts	9,257	-	9,257
Capital Outlay	(307,887)	-	(307,887)
Principal Retirement	(84,493)	-	(84,493)
Interest and Fiscal Charges	(86,689)	-	(86,689)
Total Non-Operating Cash Receipts (Disbursements)	(469,598)	-	(469,598)
Income (Loss) before Transfers	(343,262)	971	(342,291)
Transfers In	100,000	-	100,000
Net Change in Fund Cash Balances	(243,262)	971	(242,291)
Fund Cash Balances, January 1	614,063	4,862	618,925
Fund Cash Balances, December 31	<u>\$ 370,801</u>	<u>\$ 5,833</u>	<u>\$ 376,634</u>

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Lithopolis, Fairfield County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Solid Waste This fund receives charges for services from residents to cover cost of garbage services.

Fiduciary Funds

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

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

Fund Balance

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

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

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

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

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

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

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$916,985	\$788,888	(\$128,097)
Special Revenue	1,094,444	1,111,605	17,161
Capital Projects	8,000	26,046	18,046
Enterprise	933,976	1,004,258	70,282
Total	\$2,953,405	\$2,930,797	(\$22,608)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$969,208	\$886,489	\$82,719
Special Revenue	1,033,456	1,010,269	23,187
Capital Projects	47,500	45,230	2,270
Enterprise	1,361,600	1,247,520	114,080
Total	\$3,411,764	\$3,189,508	\$222,256

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$ 996,417

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes

Property Taxes

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.

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

Income Taxes

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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

The Village has obtained commercial insurance for the following risks:

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

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 10% of gross wages. The Village contributed an amount equal to 14% of participants’ gross wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Several of the Village’s employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CQ10N	\$ 546,042	0.00%
OPWC Loan CQ26S	806,142	0.00%
Series 2015 Improvement Bonds	260,000	1.98%
OWDA Loan 3920	2,163,138	4.35%
Total	<u>\$ 3,775,322</u>	

Village of Lithopolis
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

The Ohio Public Works Commission (OPWC) loan #CQ26S was awarded for the Columbus Street Reconstruction project in 2012 in the amount of \$833,940. The loan will be repaid in semiannual payments of \$13,899.00 until it matures on June 30, 2046.

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

Amortization

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

Year Ending December 31:	OPWC Loan CQ10N	OPWC Loan CQ26S	OWDA Loan 3920	Road Improvement
2018	\$ 21,842	\$ 27,798	\$ 173,862	\$90,200
2019	21,842	27,798	174,174	88,500
2020	21,842	27,798	174,500	91,800
2021	21,842	27,798	174,840	
2022	21,842	27,798	175,195	
2023-2027	109,208	138,990	881,873	
2028-2032	109,208	138,990	893,408	
2033-2037	109,208	138,990	361,193	
2038-2042	109,208	138,990		
2043-2047		111,192		
Total	<u>\$ 546,042</u>	<u>\$ 806,142</u>	<u>\$ 3,009,045</u>	<u>\$270,500</u>



**INDEPENDENT AUDITOR'S 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
P.O. Box 278
Lithopolis, Ohio 43136

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Lithopolis, Fairfield County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 20, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village 's financial statements. We consider findings 2018-001 through 2018-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-005 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village 's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-004.

Village 's Response to Findings

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

Purpose of this Report

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



BHM CPA Group, Inc.
Piketon, Ohio
August 20, 2019

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

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

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

- Property Tax Revenues,
- Intergovernmental Revenues,
- Municipal Income Tax Revenues,
- Miscellaneous Revenues,
- Charges for Services,
- Capital Contributions,
- Special Assessments,
- Debt Proceeds,
- Principal Payments Disbursements,
- Interest and Fiscal Charges Disbursements,
- General Government Disbursements,
- Contractual Services Disbursements,
- Capital Outlay Disbursements,
- Mayors Court Revenues,
- Mayors Court Disbursements

All of the above noted adjustments have been posted to the financial statements.

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

Client Response: The Village acknowledges the previous Fiscal Officers made material misstatements with regard to revenue and expenses and has worked diligently with the auditors to ensure that these errors have been properly classified. Council now has more oversight of spending to prevent the Mayor and Fiscal Officer from misspending appropriated fund.

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-002

Material Weakness – Unauthorized Payroll Payouts

During testing of payroll in 2017 and 2018, we noted several unauthorized payout amounts made through payroll. The payout information and amount has been compiled below.

- There was an unauthorized 3% pay raise in 2017 that resulted in overpayment to several employees.
- Several FLSA exempt employees were paid overtime and compensatory time when they were not eligible.
- Several employees were paid out their accrued leave time when payouts were unauthorized according to Village Policy and Council.
- An employee was paid 80 hours of severance pay that was not approved through council or policy.

Client Response: The village acknowledges that severance payments were not authorized by Council and will ensure that future payments are not made without the express authorization of Council.

FINDING NUMBER 2018-003

Mayor's Court – Material Weakness

The Village does not record the total activity for the Mayor's Court on the Village's books. The Mayor's Court records are kept separate from the Village's books, and each month a check is written to the Village for its portion of the fines and fees. This practice does not report the Village's entire activity on the financial statements, which could result in the Mayor's Court activity being overlooked and not being reviewed or monitored by Council.

For 2017, \$22,342 of receipts and \$21,371 of disbursements were adjusted to the agency fund's financial statement to reflect the Mayor's Court activity.

For 2018, \$15,113 of receipts and \$3,557 of disbursements were adjusted to the agency fund's financial statement to reflect the Mayor's Court activity.

The fines and costs should be originally recorded in an Agency Fund, and then only the portion of fines and costs due to the Village should be recorded as a receipt in the General Fund to clearly account for the portion of court receipts that legally belong to the Village. The fines and costs due to the state should also be paid from this Agency Fund. This will allow for the entire activity of the Village to be included on the Village's books, and for Council to review the activity, and will help ensure more accurate financial statements.

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

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-004

Noncompliance

Ohio Revised Code 5705.10 states that money paid into a fund shall only be used for the purposes for which the fund is established.

Late fees related to the Village's Ohio Water Development Authority loan were noted to be paid out of Water Operating Fund during the course of the audit which was not prevented or detected by the Village's internal controls over financial reporting. Governmental revenues were used to pay the late fees which is a direct violation of ORC 5705.10.

To ensure public monies are used for the purposes for which they were raised, financial management should review the Ohio Revised Code and perform a more detailed review of purchases before they are made. Professional services should be advised if financial management is unsure of a financial decision.

Client Response: Late fees were paid on OWDA loans due to the cash flow of the Village. While the Village makes every effort to pay all debts on time the Village is restricted by the timing of the revenue it receives.

FINDING NUMBER 2018-005

Significant Deficiency – Internal Controls related to Accountants Payable

When designing the public office's system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed
- Ensure adequate security of assets and records
- Plan for adequate segregation of duties or compensating controls
- Verify that existence and valuation of assets and liabilities and periodically reconcile them to the accounting records
- Perform analytical procedures to determine the reasonableness of financial data
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements

Public funds were used to pay late fees and other fees. This improper use of funds was not detected in a timely manner by the Village's control structure and represents a significant deficiency in the control environment. Late fees were noted to be paid out of the Water Operating Fund during the course of the audit which was not prevented or detected by the Township's internal controls over financial reporting.

To ensure public monies are used for the purposes for which they were raised, financial management should review the Ohio Revised Code and perform a more detailed review of purchases before they are made. Professional services should be advised if financial management is unsure of a financial decision.

Client Response: Late fees were paid on OWDA loans due to the cash flow of the Village. While the Village makes every effort to pay all debts on time the Village is restricted by the timing of the revenue it receives.

**Village of Lithopolis
Fairfield County
Schedule of Prior Audit Findings
December 31, 2018 and 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2018-001
2016-002	Material Weakness – Supporting Payroll Documentation	Yes	
2016-003	Material Noncompliance – ORC 5705.41(D)	Yes	

OHIO AUDITOR OF STATE
KEITH FABER



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
JULY 21, 2020**