



Dave Yost • Auditor of State

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Lithopolis, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

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, 2012 and 2011, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects the combined cash balances of the Village of Lithopolis, Fairfield County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Lithopolis, Fairfield County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013, 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 11, 2013

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 50,544	\$ 11,547	\$ -	\$ 62,091
Municipal Income Tax	312,355	-	-	312,355
Intergovernmental	42,482	48,017	-	90,499
Charges for Services	2,206	-	-	2,206
Fines, Licenses and Permits	56,747	7,123	-	63,870
Earnings on Investments	221	33	-	254
Miscellaneous	9,266	-	-	9,266
<i>Total Cash Receipts</i>	<u>473,821</u>	<u>66,720</u>	<u>-</u>	<u>540,541</u>
Cash Disbursements				
Current:				
Security of Persons and Property	182,678	14,361	-	197,039
Public Health Services	269	-	-	269
Leisure Time Activities	-	7,965	-	7,965
Community Environment	21,776	-	-	21,776
Transportation	-	21,778	-	21,778
General Government	267,786	-	-	267,786
Capital Outlay	-	-	3,408	3,408
<i>Total Cash Disbursements</i>	<u>472,509</u>	<u>44,104</u>	<u>3,408</u>	<u>520,021</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,312</u>	<u>22,616</u>	<u>(3,408)</u>	<u>20,520</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	-	25,263	25,263
Advances In	49,000	-	-	49,000
Advances Out	(35,000)	-	-	(35,000)
Other Financing Uses	-	(1,846)	-	(1,846)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>14,000</u>	<u>(1,846)</u>	<u>25,263</u>	<u>37,417</u>
<i>Net Change in Fund Cash Balances</i>	15,312	20,770	21,855	57,937
<i>Fund Cash Balances, January 1</i>	<u>(7,418)</u>	<u>41,593</u>	<u>-</u>	<u>34,175</u>
Fund Cash Balances, December 31				
Restricted	-	62,363	-	62,363
Unassigned (Deficit)	7,894	-	21,855	29,749
<i>Fund Cash Balances, December 31</i>	<u>\$ 7,894</u>	<u>\$ 62,363</u>	<u>\$ 21,855</u>	<u>\$ 92,112</u>

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 759,045	\$ -	\$ 759,045
Fines, Licenses and Permits	-	-	-
<i>Total Operating Cash Receipts</i>	<u>759,045</u>	<u>-</u>	<u>759,045</u>
Operating Cash Disbursements			
Personal Services	110,734	-	110,734
Employee Fringe Benefits	30,045	-	30,045
Contractual Services	286,800	-	286,800
Supplies and Materials	35,560	-	35,560
Other	4,110	-	4,110
<i>Total Operating Cash Disbursements</i>	<u>467,249</u>	<u>-</u>	<u>467,249</u>
<i>Operating Income (Loss)</i>	<u>291,796</u>	<u>-</u>	<u>291,796</u>
Non-Operating Receipts (Disbursements)			
Sale of Notes	219,100	-	219,100
Miscellaneous Receipts	3,550	-	3,550
Capital Outlay	(9,631)	-	(9,631)
Principal Retirement	(379,530)	-	(379,530)
Interest and Other Fiscal Charges	(140,332)	-	(140,332)
Non-Operating Receipts	-	46,715	46,715
Non-Operating Disbursements	-	(46,896)	(46,896)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(306,843)</u>	<u>(181)</u>	<u>(307,024)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(15,047)</u>	<u>(181)</u>	<u>(15,228)</u>
Advances In	35,000	-	35,000
Advances Out	(49,000)	-	(49,000)
<i>Net Change in Fund Cash Balances</i>	<u>(29,047)</u>	<u>(181)</u>	<u>(29,228)</u>
<i>Fund Cash Balances, January 1</i>	<u>152,244</u>	<u>3,114</u>	<u>155,358</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 123,197</u>	<u>\$ 2,933</u>	<u>\$ 126,130</u>

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 50,482	\$ 12,089	\$ -	\$ 62,571
Municipal Income Tax	297,303	-	-	297,303
Intergovernmental	41,430	49,500	131,540	222,470
Charges for Services	4,332	-	-	4,332
Fines, Licenses and Permits	62,664	5,952	-	68,616
Earnings on Investments	361	53	-	414
Miscellaneous	17,109	7,673	-	24,782
<i>Total Cash Receipts</i>	<u>473,681</u>	<u>75,267</u>	<u>131,540</u>	<u>680,488</u>
Cash Disbursements				
Current:				
Security of Persons and Property	164,970	16,473	-	181,443
Public Health Services	6,026	-	-	6,026
Leisure Time Activities	-	19,414	-	19,414
Community Environment	20,506	-	-	20,506
Transportation	-	62,502	-	62,502
General Government	323,332	-	-	323,332
Capital Outlay	-	-	761,527	761,527
<i>Total Cash Disbursements</i>	<u>514,834</u>	<u>98,389</u>	<u>761,527</u>	<u>1,374,750</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(41,153)</u>	<u>(23,122)</u>	<u>(629,987)</u>	<u>(694,262)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	-	629,987	629,987
Advances In	35,000	-	-	35,000
Advances Out	(49,000)	-	-	(49,000)
Other Financing Sources	4,288	-	-	4,288
Other Financing Uses	-	(1,447)	-	(1,447)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,712)</u>	<u>(1,447)</u>	<u>629,987</u>	<u>618,828</u>
<i>Net Change in Fund Cash Balances</i>	(50,865)	(24,569)	-	(75,434)
<i>Fund Cash Balances, January 1</i>	<u>43,447</u>	<u>66,162</u>	<u>-</u>	<u>109,609</u>
Fund Cash Balances, December 31				
Restricted	-	41,593	-	41,593
Unassigned (Deficit)	(7,418)	-	-	(7,418)
<i>Fund Cash Balances, December 31</i>	<u>\$ (7,418)</u>	<u>\$ 41,593</u>	<u>\$ -</u>	<u>\$ 34,175</u>

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 708,711	\$ -	\$ 708,711
Fines, Licenses and Permits	-	-	-
Earnings on Investments (trust funds only)	-	-	-
Miscellaneous	3,837	-	3,837
<i>Total Operating Cash Receipts</i>	<u>712,548</u>	<u>-</u>	<u>712,548</u>
Operating Cash Disbursements			
Personal Services	66,313	-	66,313
Employee Fringe Benefits	19,976	-	19,976
Contractual Services	300,612	-	300,612
Supplies and Materials	35,093	-	35,093
Other	5,000	-	5,000
<i>Total Operating Cash Disbursements</i>	<u>426,994</u>	<u>-</u>	<u>426,994</u>
<i>Operating Income (Loss)</i>	<u>285,554</u>	<u>-</u>	<u>285,554</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	17,771	-	17,771
Capital Outlay	(30,811)	-	(30,811)
Principal Retirement	(168,493)	-	(168,493)
Interest and Other Fiscal Charges	(146,409)	-	(146,409)
Non-Operating Receipts	-	44,950	44,950
Non-Operating Disbursements	-	(47,483)	(47,483)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(327,942)</u>	<u>(2,533)</u>	<u>(330,475)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(42,388)</u>	<u>(2,533)</u>	<u>(44,921)</u>
Advances In	49,000	-	49,000
Advances Out	(35,000)	-	(35,000)
<i>Net Change in Fund Cash Balances</i>	<u>(28,388)</u>	<u>(2,533)</u>	<u>(30,921)</u>
<i>Fund Cash Balances, January 1</i>	<u>180,632</u>	<u>5,647</u>	<u>186,279</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 152,244</u>	<u>\$ 3,114</u>	<u>\$ 155,358</u>

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, 2012 AND 2011**

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. The Village contracts with Bloom Township to receive and ambulance services.

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

2. Special Revenue Funds

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

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

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

Columbus Street Reconstruction Fund – This fund received Ohio Public Works Commissions funding for the Columbus Street Reconstruction 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.

Solid Waste Utility Fund – This fund receives charges for services for trash collection provided by the Village.

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.

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. Money collected is distributed in accordance with the Ohio Revised Code to the Village and State.

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.

VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	<u>2012</u>	<u>2011</u>
Total deposits	<u>\$218,242</u>	<u>\$189,533</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$506,157	\$473,821	(\$32,336)
Special Revenue	84,892	66,720	(18,172)
Capital Projects	0	25,263	25,263
Enterprise	962,366	981,695	19,329
Total	\$1,553,415	\$1,547,499	(\$5,916)

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$505,338	\$472,509	\$32,829
Special Revenue	82,183	45,950	36,233
Capital Projects	3,408	3,408	0
Enterprise	1,138,337	996,742	141,595
Total	<u>\$1,729,266</u>	<u>\$1,518,609</u>	<u>\$210,657</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$557,025	\$477,969	(\$79,056)
Special Revenue	69,825	75,267	5,442
Capital Projects	805,045	761,527	(43,518)
Enterprise	784,360	730,319	(54,041)
Total	<u>\$2,216,255</u>	<u>\$2,045,082</u>	<u>(\$171,173)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$560,757	\$514,834	\$45,923
Special Revenue	106,345	99,836	6,509
Capital Projects	805,045	761,527	43,518
Enterprise	837,919	772,707	65,212
Total	<u>\$2,310,066</u>	<u>\$2,148,904</u>	<u>\$161,162</u>

Contrary to Ohio law, at December 31, 2011, the General Fund had a cash deficit balance of \$7,418.

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.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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, 2012 was as follows:

	Principal	Interest Rate
OPWC: Water Distribution Improvement	\$10,382	0.00%
OWDA - 3920: Water System Improvements	\$2,551,485	4.35%
OWDA - 1685/0844: Water System Design	76,950	7.11%
OWDS - 2772/0217: Sewer Collection System	\$10,251	4.50%
Bond Anticipation Note: Muncpal Building	\$219,100	6.00%
Capital Lease Agreement	23,984	
Total	\$2,892,152	

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 January 1, 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 July 1, 2034.

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 July 1, 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 July 1, 2013.

The Village issued Administration Building Improvement Notes from Savings Bank on June 1, 2012 in the amount of \$219,100 with an interest rate of 4.50% for the new Village administration and utilities office. Payments for this loan began on June 1, 2013 and the loan will mature on June 1, 2017.

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.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OPWC	OWDA 3920	OWDA 1685/0844	OWDA 2772/0217	Savings Bank	Lease Agreement
2013	\$10,382	\$181,357	\$82,448	\$10,452	\$17,800	\$13,999
2014		181,357			\$18,600	13,999
2015		181,357			\$19,500	
2016		181,357			\$20,300	
2017		181,357			\$142,900	
2018-2022		906,785				
2023-2027		906,783				
2028-2032		906,783				
2033-2034		362,712				
Total	<u>\$10,382</u>	<u>\$3,989,846</u>	<u>\$82,448</u>	<u>\$10,452</u>	<u>\$219,100</u>	<u>\$27,998</u>

7. Retirement Systems

The Village's certified 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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages, respectively. For 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 10%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

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 only proceeds received during the audit period, and the first payment is not due until January 2013. In addition, the Village has budgeted for a right of way fund for monies the Village anticipated receiving during the audit period, however as of December 31, 2012, the Village had yet to receive anything.

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Dave Yost • Auditor of State

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
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 Village of Lithopolis, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated October 11, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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 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 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 finding 2012-01 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, 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-02.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 11, 2013.

Entity'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 audit the Village's responses 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 11, 2013

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Financial Statement Adjustments-Material Weakness

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

The following adjustments were posted to the financial statements and, where applicable, the accounting records for the year ended December 31, 2012:

- To record the activity within the Internet Utility, Storm Water and Solid Waste funds as Enterprise Funds.
- To record \$219,100 of Notes Proceeds within the Enterprise Fund.
- To reclassify Tap in fees as Charges for Services revenues within the Enterprise fund.

The following adjustments were posted to the financial statements and, where applicable, the accounting records for the year ended December 31, 2011:

- To record the activity within the Internet Utility, Storm Water and Solid Waste funds as Enterprise Funds.
- To reduce General fund receipts by \$11,514 and increase Special Revenue receipts for reimbursement received from 2010 Special Revenue expenditures.
- To reclassify \$761,527 of special assessment receipts to \$629,987 of debt proceeds and \$131,540 of intergovernmental receipts within the Capital Project funds.
- To reclassify Tap in Fees as Charges for Services revenues within the Enterprise Fund.

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials Response: An Officials response was not received.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-02

Negative Fund Balance-Material Noncompliance

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 a negative fund balance of \$7,418 in the General Fund in 2011 due to adjustments made during the financial audit noted in Finding 2012-01.

Village management and Council should monitor the posting of revenues and expenditures to ensure amounts are being recorded within the proper funds so that the Village can effectively budget the Village's resources.

Officials Response: An Officials response was not received.

**VILLAGE OF LITHOPOLIS
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Financial Statement Adjustment - Material Weakness	No	Reissued as Finding 2012-01
2010-02	Prior Certification – Noncompliance	No	Reissued in the Management Letter
2010-03	Negative Fund Balance – Noncompliance	No	Reissued as Finding 2012-02

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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
NOVEMBER 26, 2013**