



Dave Yost • Auditor of State

VILLAGE OF TIMBERLAKE
LAKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Timberlake
Lake County
11 East Shore Boulevard
Timberlake, Ohio 44095

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 Timberlake, Lake County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no 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, 2016 and 2015, and the respective changes in financial position or cash flows 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 Timberlake, Lake County, Ohio as of December 31, 2016 and 2015, 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 February 20, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

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Village of Timberlake, Ohio
Lake County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$207,629		\$7,067	\$214,696
Municipal Income Tax	81,490			81,490
Intergovernmental	80,710	\$33,199	12,298	126,207
Fines, Licenses and Permits	35,418	125		35,543
Earnings on Investments	1,083	39	72	1,194
Miscellaneous	8,205			8,205
<i>Total Cash Receipts</i>	<u>414,535</u>	<u>33,363</u>	<u>19,437</u>	<u>467,335</u>
Cash Disbursements				
Current:				
Security of Persons and Property	234,764	225		234,989
Public Health Services	5,832			5,832
Leisure Time Activities	2,082			2,082
Basic Utility Services	12,213			12,213
Transportation		12,558		12,558
General Government	145,659	21,090		166,749
Capital Outlay			362,480	362,480
Debt Service:				
Principal Retirement			2,831	2,831
<i>Total Cash Disbursements</i>	<u>400,550</u>	<u>33,873</u>	<u>365,311</u>	<u>799,734</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,985</u>	<u>(510)</u>	<u>(345,874)</u>	<u>(332,399)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes			450,000	450,000
Other Debt Proceeds			15,906	15,906
Transfers In			5,000	5,000
Transfers Out	(5,000)			(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>		<u>470,906</u>	<u>465,906</u>
<i>Net Change in Fund Cash Balances</i>	8,985	(510)	125,032	133,507
<i>Fund Cash Balances, January 1</i>	<u>200,918</u>	<u>10,993</u>	<u>0</u>	<u>211,911</u>
Fund Cash Balances, December 31				
Restricted		10,483		10,483
Committed			125,032	125,032
Assigned	57,333			57,333
Unassigned	152,570			152,570
<i>Fund Cash Balances, December 31</i>	<u>\$209,903</u>	<u>\$10,483</u>	<u>\$125,032</u>	<u>\$345,418</u>

See accompanying notes to the basic financial statements

Village of Timberlake, Ohio
Lake 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, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$25,663		\$25,663
Hall Rental Receipts		\$6,350	6,350
<i>Total Operating Cash Receipts</i>	<u>25,663</u>	<u>6,350</u>	<u>32,013</u>
Operating Cash Disbursements			
Personal Services	927		927
Contractual Services	17,577		17,577
Hall Rental Refunds		5,425	5,425
<i>Total Operating Cash Disbursements</i>	<u>18,504</u>	<u>5,425</u>	<u>23,929</u>
<i>Operating Income</i>	<u>7,159</u>	<u>925</u>	<u>8,084</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	111		111
Principal Retirement	(9,604)		(9,604)
Interest and Other Fiscal Charges	(4,570)		(4,570)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(14,063)</u>		<u>(14,063)</u>
<i>Net Change in Fund Cash Balances</i>	(6,904)	925	(5,979)
<i>Fund Cash Balances, January 1</i>	<u>36,656</u>	<u>1,119</u>	<u>37,775</u>
<i>Fund Cash Balances, December 31</i>	<u>\$29,752</u>	<u>\$2,044</u>	<u>\$31,796</u>

See accompanying notes to the basic financial statements

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Village of Timberlake, Lake 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 general governmental services, street repair and maintenance, sewer utilities, and police services. The Village contracts with the City of Eastlake to provide rescue and fire protection services.

Public Entity Risk Pool and Jointly Governed Organization

The Village participates in the Ohio Plan Risk Management, Inc., public entity risk pool and the Northeast Ohio Public Energy Council (NOPEC), jointly governed organization. Notes 6 and 11 to the financial statements provide additional information for these entities.

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

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 Fund:

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 Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

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 fund:

Capital Road Project Fund - The Capital Road Project Fund accounts for the capital outlay associated with street improvements as well as any Issue 2 Grant/Loan funds received, along with any local funds committed to the project.

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 Fund:

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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 security deposits for the rental of Village Hall.

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 (except certain agency funds) be budgeted annually.

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

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

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 2016 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$408,250	\$414,535	\$6,285
Special Revenue	39,300	33,363	(5,937)
Capital Projects	505,513	490,343	(15,170)
Enterprise	20,000	25,774	5,774
Total	\$973,063	\$964,015	(\$9,048)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$517,852	\$429,530	\$88,322
Special Revenue	47,000	34,591	12,409
Capital Projects	373,072	365,311	7,761
Enterprise	49,500	32,678	16,822
Total	\$987,424	\$862,110	\$125,314

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

	<u>2016</u>
Demand deposits	\$126,670
STAR Ohio	250,544
Total deposits and investments	<u>\$377,214</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 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.

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 Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes – (Continued)

Income Taxes

The Village levies a municipal income tax of 1.0 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. In the latter case, the Village allows a 50 percent credit on the income earned outside the Village and paid to another municipality.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency (CCA) monthly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The taxes are collected by CCA and remitted to the Village monthly.

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management – (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>	
Assets		\$14,765,712
Liabilities		<u>(9,531,506)</u>
Members' Equity		<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most part time employees, Village Officials, and Council members belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Some of the Village's part-time employees (both elected officials) 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, 2016.

Note 8 - Postemployment Benefits

OPERS offers 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$53,790	0.00%
General Obligation Notes	\$450,000	0.70%
Ohio Water Development Authority Loan	158,944	2.75%
Total	<u>\$662,734</u>	

Capital Road Project

In June of 2014, the Village was awarded a grant from the OPWC for surface road rehabilitation. Issue 2 Grant Funds have been distributed by the State of Ohio in the amount of \$243,075. A 20-Year no interest, Ohio Public Works Commission loan of \$56,621 was incurred based on the final cost of the Capital Road Project.

The remaining costs of the project were funded by a \$450,000 1-Year Note at 0.70% interest obtained through the Ohio Market Access Program issued on January 26, 2016. The 1-Year Note is due on January 25, 2017 along with a \$3,150 interest payment. The Village anticipates making a \$100,000 principal payment upon the maturity of the 1-Year note and restructuring the remaining debt into a \$350,000 10-Year Bond.

Sanitary Sewer Rehabilitation Project

On October 29, 2009, the Village started a sanitary sewer rehabilitation project whose cost was anticipated at \$ 916,622. American Recovery and Reinvestment Act of 2009 (ARRA) award amount is \$458,311 and the remaining balance funded via WPCLF Capitalization Grant Fund installment loan totaling \$ 458,311 for twenty years at 2.75% interest was forgiven by the fund. On January 1, 2011, a loan was obtained from the Water Pollution Control Loan Fund for twenty years at 2.75% with payments made semi-annually. The Village anticipates increased sewer usage fees will be used to pay debt service.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt - (Continued)

Amortization

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

Year ending	OWDA Loan	OPWC Loan	General Obligation Notes
December 31:			
2017	\$14,174	\$2,831	\$453,150
2018	14,174	2,831	
2019	14,174	2,831	
2020	14,174	2,831	
2021	14,174	2,831	
2022-2026	70,870	14,155	
2027-2031	49,609	14,155	
2032-2036		11,325	
Total	<u>\$191,349</u>	<u>\$53,790</u>	<u>\$453,150</u>

Repayment of the debt will be made with general operation revenue.

Note 10 – Contingent Liabilities

The Village is currently named in one outstanding lawsuit. The Village does not anticipate a material adverse effect on cash flow as a result of this pending litigation.

Note 11 – Jointly Governed Organization

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2016 and 2015. Contact NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 12 – Related Party Transactions

Mayor and Fiscal Officer

The current Mayor John P. Roskos and Fiscal Officer John H. Roskos are father and son. The Village council sets and approves the salary of the Fiscal Officer, which is \$6,103 annually; the salary has remained constant since 2013 prior to the current Mayor's election.

Council Secretary and Council Members

The current Council Secretary Aishwarya Sharma (Parihar) is the daughter of Council Member Ritu Sharma and sister of Council Member Shannon Parihar. The Village council sets and approves the salary of the Council Secretary, which is \$62.84 per meeting. The stipend has remained constant since April, 2014, which is prior to Aishwarya Sharma's hire date of June 16, 2015.

Note 13 – Subsequent Events

On January 25, 2017, the Village redeemed the \$450,000 General Obligation Note and issued a ten-year \$350,000 Street Improvement Bond that matures on December 1, 2026.

Village of Timberlake, Ohio
Lake County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$218,368			\$218,368
Municipal Income Tax	89,765			89,765
Intergovernmental	81,311	\$34,494	\$243,075	358,880
Fines, Licenses and Permits	68,777	390		69,167
Earnings on Investments	232			232
Miscellaneous	8,305	5		8,310
<i>Total Cash Receipts</i>	<u>466,758</u>	<u>34,889</u>	<u>243,075</u>	<u>744,722</u>
Cash Disbursements				
Current:				
Security of Persons and Property	223,648	245		223,893
Public Health Services	5,358			5,358
Leisure Time Activities	2,607			2,607
Basic Utility Services	101,039	15,000		116,039
Transportation		5,047		5,047
General Government	120,488	23,893		144,381
Capital Outlay			283,790	283,790
<i>Total Cash Disbursements</i>	<u>453,140</u>	<u>44,185</u>	<u>283,790</u>	<u>781,115</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,618</u>	<u>(9,296)</u>	<u>(40,715)</u>	<u>(36,393)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			40,715	40,715
Transfers In		23,900		23,900
Transfers Out	(23,900)			(23,900)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(23,900)</u>	<u>23,900</u>	<u>40,715</u>	<u>40,715</u>
<i>Net Change in Fund Cash Balances</i>	(10,282)	14,604	0	4,322
<i>Fund Cash Balances, January 1</i>	<u>211,200</u>	<u>(3,611)</u>	<u>0</u>	<u>207,589</u>
Fund Cash Balances, December 31				
Restricted		10,993		10,993
Assigned	53,825			53,825
Unassigned	147,093			147,093
<i>Fund Cash Balances, December 31</i>	<u>\$200,918</u>	<u>\$10,993</u>	<u>\$0</u>	<u>\$211,911</u>

See accompanying notes to the basic financial statements

Village of Timberlake, Ohio
Lake 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, 2015

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$25,746		\$25,746
Hall Rental Receipts		\$6,225	6,225
<i>Total Operating Cash Receipts</i>	<u>25,746</u>	<u>6,225</u>	<u>31,971</u>
Operating Cash Disbursements			
Contractual Services	18,179		18,179
Hall Rental Refunds		6,510	6,510
<i>Total Operating Cash Disbursements</i>	<u>18,179</u>	<u>6,510</u>	<u>24,689</u>
<i>Operating Income (Loss)</i>	<u>7,567</u>	<u>(285)</u>	<u>7,282</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	15		15
Principal Retirement	(9,346)		(9,346)
Interest and Other Fiscal Charges	(4,828)		(4,828)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(14,159)</u>	<u>0</u>	<u>(14,159)</u>
<i>Net Change in Fund Cash Balances</i>	(6,592)	(285)	(6,877)
<i>Fund Cash Balances, January 1</i>	<u>43,248</u>	<u>1,404</u>	<u>44,652</u>
<i>Fund Cash Balances, December 31</i>	<u>\$36,656</u>	<u>\$1,119</u>	<u>\$37,775</u>

See accompanying notes to the basic financial statements

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Timberlake (the Village), Lake County, 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 general governmental services, street repair and maintenance, sewer utilities, and police services. The Village contracts with the City of Eastlake to provide rescue and fire protection services.

Public Entity Risk Pool and Jointly Governed Organization

The Village participates in the Ohio Plan Risk Management, Inc., public entity risk pool and the Northeast Ohio Public Energy Council (NOPEC), jointly governed organization. Notes 6 and 11 to the financial statements provide additional information for these entities.

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

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 Fund:

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 Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies – (Continued)

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 fund:

Capital Road Project Fund - The Capital Road Project Fund accounts for the capital outlay associated with street improvements as well as any Issue 2 Grant/Loan funds received, along with any local funds committed to the project.

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 Fund:

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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 security deposits for the rental of Village Hall.

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 (except certain agency funds) be budgeted annually.

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

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

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 2015 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$418,000	\$466,758	\$48,758
Special Revenue	39,940	58,789	18,849
Capital Projects	843,075	283,790	(559,285)
Enterprise	49,500	25,761	(23,739)
Total	\$1,350,515	\$835,098	(\$515,417)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$637,787	\$477,040	\$160,747
Special Revenue	49,300	44,185	5,115
Capital Projects	724,568	597,521	127,047
Enterprise	49,500	32,353	17,147
Total	\$1,461,155	\$1,151,099	\$310,056

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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:

	2015
Demand deposits	\$44,120
STAR Ohio	<u>205,566</u>
Total deposits and investments	<u><u>\$249,686</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 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.

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 Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 – Taxes – (Continued)

Income Taxes

The Village levies a municipal income tax of 1.0 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. In the latter case, the Village allows a 50 percent credit on the income earned outside the Village and paid to another municipality.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency (CCA) monthly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The taxes are collected by CCA and remitted to the Village monthly.

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 - Risk Management – (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most part time employees, Village Officials, and Council members belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Social Security

Some of the Village's part-time employees (both elected officials) 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, 2015.

Note 8 - Postemployment Benefits

OPERS offers 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$168,548	2.75%
Ohio Public Works Commission Loan	\$40,715	0%

On October 29, 2009, the Village started a sanitary sewer rehabilitation project whose cost was anticipated at \$916,622. American Recovery and Reinvestment Act of 2009 (ARRA) award amount is \$458,311 and the remaining balance funded via WPCLF Capitalization Grant Fund installment loan totaling \$458,311 for twenty years at 2.75% interest was forgiven by the fund. On January 1, 2011, a loan was obtained from the Water Pollution Control Loan Fund for twenty years at 2.75% with payments made semi-annually. The Village anticipates increased sewer usage fees will be used to pay debt service.

Amortization

Amortization of the above OWDA Loan debt, including interest, is scheduled as follows (the OPWC loan was not finalized until 2016, so there was not a formal amortization schedule as of year-end 2015):

Year ending	<u>OWDA Loan</u>
December 31:	
2016	\$14,174
2017	14,174
2018	14,174
2019	14,174
2020	14,174
2021-2025	70,870
2026-2030	<u>63,783</u>
Total	<u><u>\$205,523</u></u>

Note 10 – Contingent Liabilities

The Village is currently named in one outstanding lawsuit. The Village does not anticipate a material adverse effect on cash flow as a result of this pending litigation.

Note 11 – Jointly Governed Organization – (Continued)

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

Village of Timberlake, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 11 – Jointly Governed Organization – (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2015 and 2014. Contact NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139.

Note 12 – Subsequent Events

On January 26, 2016, the Village issued a \$450,000 Bond Anticipation Note for the Capital Road Project.

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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 Timberlake
Lake County
11 East Shore Boulevard
Timberlake, Ohio 44095

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 Timberlake, Lake County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated February 20, 2018 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDING NUMBER 2016-001

Material Weakness – Financial Statement Adjustments:

Management is responsible for implementing and maintaining an internal control system designed to enable management to determine the accuracy of the Village's financial statement transactions. Governmental Accounting Standards Board (GASB) Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions introduced five fund balance classifications and clarified the existing governmental fund type definitions. GASB Statement 54 Paragraph 15 indicates when an appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. **Auditor of State Bulletin 2011-004** provides additional guidance on GASB Statement 54 as it relates to Ohio governments

The following classification errors were noted in the 2015 financial statements.

- General Fund miscellaneous revenue was overstated \$63,013, fines licenses and permits and beginning cash fund balance were understated \$56,357 and \$6,656, respectively, due to revenue transaction mispostings and a prior year correcting entry this was incorrectly recorded. These items were adjusted to the financial statements as agreed to by management.
- Enterprise Fund and Special Revenue Funds' aggregate receipts, cash disbursements and beginning and ending cash fund balances were understated / overstated by \$25,761, \$32,353, \$49,906 and \$36,657, respectively due to the Sanitary Sewer Maintenance Fund being incorrectly reported as a special revenue fund. These items were adjusted to the financial statements as agreed to by management.
- Capital Project Funds' intergovernmental revenue was overstated and debt proceeds were understated \$40,715 due to an Ohio Public Works Commission loan which was incorrectly classified as an intergovernmental receipt. This item was adjusted to the financial statements as agreed to by management.
- Capital Project Funds' debt service – principal disbursements were understated and capital outlay disbursements overstated by \$9,219 due to a transaction classification error. This item was adjusted to the financial statements as agreed to by management.
- General Fund assigned fund balance was understated \$53,825 and unassigned fund balance was overstated by an equal amount due to the excess of subsequent year appropriations over estimated receipts not being assigned. This item was adjusted to the financial statements as agreed to by management.

FINDING NUMBER 2016-001 – (Continued)

Material Weakness – Financial Statement Adjustments – (Continued):

The following classification errors were noted in the 2016 financial statements.

- General Fund miscellaneous receipts were overstated and fines, licenses and permits understated \$9,135 due to a revenue misposting. This item was adjusted to the financial statements as agreed to by management.
- General Fund assigned fund balance was understated \$57,333 and unassigned fund balance was overstated by an equal amount due to outstanding encumbrances and the excess of subsequent year appropriations over estimated receipts not being assigned. This item was adjusted to the financial statements as agreed to by management.

The Village should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials' Response: The Village administration acknowledges these ongoing issues and agrees to the recommendations and adjustments contained above.



VILLAGE OF TIMBERLAKE

TIMBERLAKE, OHIO 44095

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Financial Report – Material Weakness: Several material financial statement errors were identified and were adjusted to the financial statements by management.	Not Corrected	Similar comment repeated as Finding 2016-001
2014-002	Payroll Time Report Approval – Material Weakness: Certain police payroll time sheets were processed without the police chief’s approval signature.	Corrected	Finding no longer valid.
2014-003	Approval of Purchases – Noncompliance and Material Weakness: Certain purchases were not properly approved in accordance with the Village’s codified ordinance requirements.	Corrected	Finding no longer valid.
2014-004	Negative Cash Fund Balance – Noncompliance: Certain funds had deficit cash fund balances at December 31, 2014 contrary to Ohio Revised Code Section 5705.10.	Corrected	Finding no longer valid.
2014-005	Expenditures Plus Encumbrances in Excess of Appropriations – Noncompliance: Certain funds had budgetary basis expenditures in excess of fund appropriations.	Not Fully Corrected	A similar comment was included in the management letter.

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VILLAGE OF TIMBERLAKE

LAKE 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
MARCH 8, 2018