



**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2002 & 2001



**Auditor of State
Betty Montgomery**

VILLAGE OF TIMBERLAKE
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Timberlake, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Timberlake, Lake County, Ohio, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 20, 2003

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$196,302	\$0	\$0	\$196,302
Intergovernmental Receipts	102,305	23,490	0	125,795
Fines, Licenses, and Permits	32,807	0	0	32,807
Earnings on Investments	1,995	32	0	2,027
All Other Revenue	15,393	0	0	15,393
	<u>348,802</u>	<u>23,522</u>	<u>0</u>	<u>372,324</u>
Total Cash Receipts				
	<u>348,802</u>	<u>23,522</u>	<u>0</u>	<u>372,324</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	146,445	0	0	146,445
Public Health Services	4,197	0	0	4,197
Leisure Time Activities	27,835	0	0	27,835
Transportation	0	19,251	0	19,251
General Government	104,736	0	0	104,736
Utilities	64,394	0	0	64,394
Capital Outlay	0	0	2,496	2,496
	<u>347,607</u>	<u>19,251</u>	<u>2,496</u>	<u>369,354</u>
Total Cash Disbursements				
	<u>347,607</u>	<u>19,251</u>	<u>2,496</u>	<u>369,354</u>
Total Receipts Over/(Under) Disbursements	<u>1,195</u>	<u>4,271</u>	<u>(2,496)</u>	<u>2,970</u>
Other Financing Receipts and (Disbursements):				
Transfers-Out	(16,746)	0	0	(16,746)
Advances-In	16,399	0	0	16,399
Advances-Out	(16,399)	0	0	(16,399)
	<u>(16,746)</u>	<u>0</u>	<u>0</u>	<u>(16,746)</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(16,746)</u>	<u>0</u>	<u>0</u>	<u>(16,746)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(15,551)</u>	<u>4,271</u>	<u>(2,496)</u>	<u>(13,776)</u>
Fund Cash Balances, January 1, 2002	<u>110,103</u>	<u>1,446</u>	<u>3,209</u>	<u>114,758</u>
Fund Cash Balances, December 31, 2002	<u><u>\$94,552</u></u>	<u><u>\$5,717</u></u>	<u><u>\$713</u></u>	<u><u>\$100,982</u></u>

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$2,678	\$10,225	\$12,903
Total Operating Cash Receipts	<u>2,678</u>	<u>10,225</u>	<u>12,903</u>
Operating Cash Disbursements:			
Contractual Services	19,893	0	19,893
General Government	<u>0</u>	<u>9,425</u>	<u>9,425</u>
Total Operating Cash Disbursements	<u>19,893</u>	<u>9,425</u>	<u>29,318</u>
Operating Income/(Loss)	<u>(17,215)</u>	<u>800</u>	<u>(16,415)</u>
Other Financing Receipts and Disbursements			
Transfers -In	16,746	0	16,746
Advances - In	16,399	0	16,399
Advances - Out	<u>(16,399)</u>	<u>0</u>	<u>(16,399)</u>
Total Other Financing Receipts/Disbursements	<u>16,746</u>	<u>0</u>	<u>16,746</u>
Net Receipts Over/(Under) Disbursements	(469)	800	331
Fund Cash Balances, January 1, 2002	<u>1,798</u>	<u>798</u>	<u>2,596</u>
Fund Cash Balances, December 31, 2002	<u><u>\$1,329</u></u>	<u><u>\$1,598</u></u>	<u><u>\$2,927</u></u>

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$189,364	\$0	\$0	\$189,364
Intergovernmental Receipts	121,925	24,510	0	146,435
Fines, Licenses, and Permits	17,529	0	0	17,529
Earnings on Investments	5,174	156	0	5,330
Other Revenue	18,785	0	0	18,785
	<u>352,777</u>	<u>24,666</u>	<u>0</u>	<u>377,443</u>
Total Cash Receipts				
	<u>352,777</u>	<u>24,666</u>	<u>0</u>	<u>377,443</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	145,301	0	0	145,301
Public Health Services	3,694	0	0	3,694
Leisure Time Activities	15,794	0	0	15,794
Transportation	0	32,694	0	32,694
General Government	109,598	0	16,502	126,100
Utilities	58,746	0	0	58,746
	<u>333,133</u>	<u>32,694</u>	<u>16,502</u>	<u>382,329</u>
Total Cash Disbursements				
	<u>333,133</u>	<u>32,694</u>	<u>16,502</u>	<u>382,329</u>
Total Receipts Over/(Under) Disbursements	19,644	(8,028)	(16,502)	(4,886)
Fund Cash Balances, January 1, 2001	90,459	9,474	19,711	119,644
	<u>90,459</u>	<u>9,474</u>	<u>19,711</u>	<u>119,644</u>
Fund Cash Balances, December 31, 2001	<u>\$110,103</u>	<u>\$1,446</u>	<u>\$3,209</u>	<u>\$114,758</u>

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$14,840	\$8,700	\$23,540
Total Operating Cash Receipts	<u>14,840</u>	<u>8,700</u>	<u>23,540</u>
Operating Cash Disbursements:			
Contractual Services	32,751	0	32,751
General Government	0	8,535	8,535
Total Operating Cash Disbursements	<u>32,751</u>	<u>8,535</u>	<u>41,286</u>
Operating Income/(Loss)	(17,911)	165	(17,746)
Fund Cash Balances, January 1, 2001	<u>19,709</u>	<u>633</u>	<u>20,342</u>
Fund Cash Balances, December 31, 2001	<u>\$1,798</u>	<u>\$798</u>	<u>\$2,596</u>

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Timberlake, Lake County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, sewer utilities, park operations, and police services. The Village contracts with the City of Eastlake to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at share values reported by the mutual fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The had the following significant Capital Project Fund:

Road Construction Fund - This fund receives general fund transfers to fund road improvements to the Village.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

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

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Hall Deposit Fund – The fund receives money from the rental of the Village hall.

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

2. Estimated Resources

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$9,855	(\$10)
STAR Ohio		
Total investments	94,054	117,364
Total deposits and investments	\$103,909	\$117,354

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$297,116	\$348,802	\$51,686
Special Revenue	23,700	23,522	(178)
Enterprise	7,000	19,424	12,424
Total	\$327,816	\$391,748	\$63,932

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$395,750	\$364,353	\$31,397
Special Revenue	24,643	19,251	5,392
Capital Projects	2,496	2,496	0
Enterprise	19,823	19,893	(70)
Total	\$442,712	\$405,993	\$36,719

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$297,116	\$352,777	\$55,661
Special Revenue	23,700	24,666	966
Enterprise	7,000	14,840	7,840
Total	\$327,816	\$392,283	\$64,467

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$390,864	\$333,133	\$57,731
Special Revenue	32,671	32,694	(23)
Capital Projects	18,998	16,502	2,496
Enterprise	25,380	32,751	(7,371)
Total	\$467,913	\$415,080	\$52,833

Contrary to Ohio Rev. Code §5705.39, the sanitary sewer fund had appropriations of \$19,823 but estimated revenue of only \$7,469 for the year ended December 31, 2002.

Contrary to Ohio Rev. Code §5705.41(B), the sanitary sewer fund had appropriations of \$25,380 but expenditures of \$32,751 for the year ended December 31, 2001.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 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 100 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) at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a declaration annually. The Tax is collected by CCA and remitted to the Village monthly.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

8. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Timberlake, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated June 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 to 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 20, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-004 and 2002-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-004 and 2002-005 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 20, 2003

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 20, 2003

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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The comments appearing with an asterisk (*) denotes comments that were previously brought to management's attention in the 2000 and 1999 audit report for which corrective action has not been taken.

Finding Number	2002-001
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Ohio Rev. Code §5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

During our testing of non-payroll disbursements, we noted that in 2002, twelve of thirty disbursements and in 2001, eleven of thirty disbursements were not properly encumbered. In all instances, the purchase orders were dated after the invoice date and the instances noted did not fall within any exceptions to this Section. As a result, the Village did not record a reservation of the applicable appropriation (encumber) at the time a commitment for the expenditure of funds was made and encumbrances were understated at year end. Failure to encumber commitments could result in deficit fund balances.

Finding Number	2002-002
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Ohio Rev. Code § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated. As of December 31, 2001, the following fund had expenditures in excess of appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Enterprise Fund – Sanitary Sewer Fund	\$25,380	\$32,751	(\$7,371)

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-003
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Ohio Rev. Code §5705.39, prohibits a subdivision from appropriating more than their estimated revenues. The following fund had appropriations in excess of certified available resources for the year ending December 31, 2002.

	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
Enterprise Fund - Sanitary Sewer Fund	\$7,469	\$19,823	(\$12,354)

Finding Number	2002-004 *
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Material Weaknesses

Bank to Book Reconciliations *

Cash balances include cash in the general operating bank account and STAR Ohio investment account. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, the Village should perform a monthly reconciliation. This reconciliation verifies that the cash balance reported in the general ledger agrees to the adjusted balance per the bank statement.

A review of the cash cycle disclosed the Village's general bank account was not reconciled to the general ledger during calendar years 2002 and 2001. As a result, unbooked bank deposits and the double booking of expenditures were not detected. This resulted in several adjustments being made to the Village's financial statements.

In addition to the reconciliations not being performed, the Clerk-Treasurer performs all accounting functions. Consequently, there is no segregation of duties and errors and irregularities may occur and not be detected. As a result of these deficiencies, the prior audit report included a recommendation that the Mayor review and approve the monthly reconciliations. This recommendation was not implemented due to the Clerk-Treasurer's unwillingness to do so. The Mayor did try to implement the recommendation and in a signed statement he stated the following:

"In response to your question about last audit, yes I did ask Clerk Todd Mahaffey about reconciling the bank statements. On numerous occasions I did remind Todd that he was to bring the statements to me so that I could sign off on them as you had suggested. This took place after several council meetings, in my house, and in several phone conversations. His first response was that he had to gather some previous statements and bring them to me. After a period of time, maybe six or seven months I stopped asking for them. I would not sign off on them going back for that long of a time frame."

We recommend the Clerk-Treasurer reconcile the general ledger to the Village's bank and investment accounts on a monthly basis and that it be reviewed and approved by the Mayor.

VILLAGE OF TIMBERLAKE
LAKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

Finding Number	2002-005 *
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Collection of Sanitary Sewer Revenue

The Village receives sewer revenues from the Lake County Auditor and the City of Eastlake. The County Auditor collects delinquent account monies and the City of Eastlake, in conjunction with the Lake County Utilities Department, collects sewer charges on behalf of the Village. A review of the sewer revenues disclosed that collections by the City of Eastlake were not being properly monitored. These collections are remitted to the Village every April for the preceding year. The City's assistant finance director stated that as a result of an oversight on their part, the Village did not receive \$5,835 in sewer collections in April 2000 and the Village did not detect the omission. On April 25, 2001 the City issued a check to the Village in the amount of \$11,703. This check included the past due amount and the current amount due.

In 2002, the Village did not receive any sewer monies from the City of Eastlake due to the fact there is no contract between the respective parties and the City's contention that they are losing money on the services provided. In 2002, total revenues for the sanitary sewer fund were only \$2,678 and expenditures totaled \$19,893. Consequently, the Village transferred \$16,746 from the general fund to the sanitary sewer fund in order to temporary resolve the cash flow problems. Unless this issue is addressed, the sanitary sewer fund will continue to be funded by the general fund.

We recommend the Village review this issue and determine what course of action is warranted.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30843-001	Not Establishing a Bond Retirement Fund	Yes	
2000-30843-002	Not Filing the Annual Report with the State Auditor	Yes	
2000-30843-003	Not Performing the monthly bank to book reconciliations	No	No change, reissued in 2002-2001 audit report.
2000-30843-004	Not monitoring the receipt of sewer revenues	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JULY 22, 2003**