



**Auditor of State  
Betty Montgomery**



VILLAGE OF TIMBERLAKE  
LAKE COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 19, 2005

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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, 2004 and December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require Village to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Timberlake, Lake County, Ohio, as of December 31, 2004 and December 31, 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 19, 2005



**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, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$208,539	\$0	\$208,539
Intergovernmental Receipts	67,880	29,616	97,496
Fines, Licenses, and Permits	15,323	0	15,323
Earnings on Investments	811	154	965
Other Revenue	23,120	0	23,120
	<u>315,673</u>	<u>29,770</u>	<u>345,443</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	199,882	0	199,882
Public Health Services	4,437	0	4,437
Leisure Time Activities	13,624	0	13,624
Transportation	0	20,689	20,689
General Government	103,085	0	103,085
Utilities	8,905	0	8,905
	<u>329,933</u>	<u>20,689</u>	<u>350,622</u>
<b>Total Cash Disbursements</b>	<b>329,933</b>	<b>20,689</b>	<b>350,622</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(14,260)</b>	<b>9,081</b>	<b>(5,179)</b>
<b>Fund Cash Balances, January 1, 2004</b>	<b>39,460</b>	<b>12,515</b>	<b>51,975</b>
<b>Fund Cash Balances, December 31, 2004</b>	<b><u>\$25,200</u></b>	<b><u>\$21,596</u></b>	<b><u>\$46,796</u></b>

*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, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,458	\$8,650	\$11,108
Total Operating Cash Receipts	<u>2,458</u>	<u>8,650</u>	<u>11,108</u>
<b>Operating Cash Disbursements:</b>			
Contractual Services	746	0	746
General Government	<u>0</u>	<u>9,050</u>	<u>9,050</u>
Total Operating Cash Disbursements	<u>746</u>	<u>9,050</u>	<u>9,796</u>
Operating Income/(Loss)	<u>1,712</u>	<u>(400)</u>	<u>1,312</u>
Fund Cash Balances, January 1, 2004	<u>3,713</u>	<u>1,598</u>	<u>5,311</u>
<b>Fund Cash Balances, December 31, 2004</b>	<b><u>\$5,425</u></b>	<b><u>\$1,198</u></b>	<b><u>\$6,623</u></b>

*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, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$203,661	\$0	\$0	\$203,661
Intergovernmental Receipts	68,645	24,007	0	92,652
Fines, Licenses, and Permits	26,778	0	0	26,778
Earnings on Investments	1,123	43	0	1,166
All Other Revenue	9,242	0	0	9,242
<b>Total Cash Receipts</b>	<u>309,449</u>	<u>24,050</u>	<u>0</u>	<u>333,499</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	163,030	0	0	163,030
Public Health Services	4,489	0	0	4,489
Leisure Time Activities	16,649	0	0	16,649
Transportation	0	17,252	0	17,252
General Government	112,078	0	713	112,791
Utilities	63,690	0	0	63,690
<b>Total Cash Disbursements</b>	<u>359,936</u>	<u>17,252</u>	<u>713</u>	<u>377,901</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(50,487)</u>	<u>6,798</u>	<u>(713)</u>	<u>(44,402)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-Out	(4,605)	0	0	(4,605)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(4,605)</u>	<u>0</u>	<u>0</u>	<u>(4,605)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(55,092)</u>	<u>6,798</u>	<u>(713)</u>	<u>(49,007)</u>
<b>Fund Cash Balances, January 1, 2003</b>	<u>94,552</u>	<u>5,717</u>	<u>713</u>	<u>100,982</u>
<b>Fund Cash Balances, December 31, 2003</b>	<u><u>\$39,460</u></u>	<u><u>\$12,515</u></u>	<u><u>\$0</u></u>	<u><u>\$51,975</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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,492	\$7,800	\$10,292
Total Operating Cash Receipts	<u>2,492</u>	<u>7,800</u>	<u>10,292</u>
<b>Operating Cash Disbursements:</b>			
Contractual Services	4,713	0	4,713
General Government	0	7,800	7,800
Total Operating Cash Disbursements	<u>4,713</u>	<u>7,800</u>	<u>12,513</u>
Operating Income/(Loss)	(2,221)	0	(2,221)
Other Financing Receipts and (Disbursements):			
Transfers-In	4,605	0	4,605
Total Other Financing Receipts/(Disbursements)	<u>4,605</u>	<u>0</u>	<u>4,605</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>2,384</u>	<u>0</u>	<u>2,384</u>
Fund Cash Balances, January 1, 2003	<u>1,329</u>	<u>1,598</u>	<u>2,927</u>
<b>Fund Cash Balances, December 31, 2003</b>	<b><u>\$3,713</u></b>	<b><u>\$1,598</u></b>	<b><u>\$5,311</u></b>

*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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Timberlake, Lake County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale 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 reports 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, 2004 AND 2003  
(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 Village had the following significant Capital Project Fund:

*Road Construction Fund* - This fund receives general fund transfers to fund road improvements to the Village. *This fund had no activity or fund balance in 2004, therefore it was not presented on the governmental financial statements.*

**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, 2004 AND 2003  
(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 2004 and 2003 budgetary activity appears in Note 3.

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

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED 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:

	2004	2003
Demand deposits	\$7,368	\$5,655
STAR Ohio		
Total investments	46,051	51,631
Total deposits and investments	\$53,419	\$57,286

**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, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$348,228	\$315,673	(\$32,555)
Special Revenue	36,215	29,770	(6,445)
Enterprise	3,713	2,458	(1,255)
Total	\$388,156	\$347,901	(\$40,255)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$347,927	\$329,933	\$17,994
Special Revenue	26,800	20,689	6,111
Enterprise	2,500	746	1,754
Total	\$377,227	\$351,368	\$25,859

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$389,714	\$309,449	(\$80,265)
Special Revenue	28,914	24,050	(4,864)
Enterprise	7,000	7,097	97
Total	\$425,628	\$340,596	(\$85,032)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$388,717	\$364,541	\$24,176
Special Revenue	28,914	17,252	11,662
Capital Projects	713	713	0
Enterprise	7,000	4,713	2,287
Total	\$425,344	\$387,219	\$38,125



**VILLAGE OF TIMBERLAKE  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(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.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, 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 2004 and 2003. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF TIMBERLAKE  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(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 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 the financial statements of the Village of Timberlake, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated August 19, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable condition 2004-001 listed above to be a material weakness. In a separate letter to the Village's management dated August 19, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-002. In a separate letter to the Village's management dated August 19, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 19, 2005

VILLAGE OF TIMBERLAKE  
LAKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003

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

The comments appearing with an asterisk (\*) denotes comments that were previously brought to management's attention in the 2002 and 2001 audit report for which corrective action has not been taken.

Finding Number	2004-001 *
----------------	------------

**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 supposed to be remitted to the Village every April for the preceding year.

From 2002 through 2004, 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 2004, total revenues for the sanitary sewer fund were only \$2,492 and expenditures totaled \$4,713. Consequently, the Village transferred \$4,605 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.

Finding Number	2004-002 *
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Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

**1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

VILLAGE OF TIMBERLAKE  
LAKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(CONTINUED)

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

(Continued)

Finding Number	2004-002 *
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(Continued)

**2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twelve percent of the transactions tested from 2004 and twenty eight percent of the transactions tested from 2003 were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

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

**VILLAGE OF TIMBERLAKE  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-001	ORC Section 5705.41(D), funds not properly encumbered	No	No change, reissued as item 2004-002.
2002-002	ORC Section 5705.41(B), expenditures in excess of appropriations	Yes	
2002-003	ORC Section 5705.39, appropriations in excess of estimated revenues	Yes	
2002-004	Bank to book reconciliations not completed	Yes	
2002-005	Not monitoring the receipt of sewer revenues from the City of Eastlake	No	No change, reissued as item 2004-001.







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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  
SEPTEMBER 13, 2005**