



Mary Taylor, CPA
Auditor of State

VILLAGE OF LAKEMORE
SUMMIT COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lakemore
Summit County
P.O. Box 455
1400 Main Street
Lakemore, Ohio 44250-0455

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lakemore, Summit County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 opinions.

Because of the inadequacy of accounting records, we were unable to obtain sufficient evidence regarding the \$98,356 of charges for services recorded in the Emergency Medical Services Ambulance Fund of the Statement of Receipts, Disbursements and Changes in Fund Balances-Cash Basis and the Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budget Basis- Emergency Medical Services Ambulance Fund. We were unable to satisfy ourselves as to how the charges for services amounts were billed, collected, and remitted to the Village by other auditing procedures.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about charges for services in the Emergency Medical Services Ambulance Fund the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lakemore, Summit County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Community Development Block Grant, and Emergency Medical Services Ambulance funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2009, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

May 18, 2009

Village of Lakemore
Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Village of Lakemore's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$152,102, or 15.84 percent, a significant change from the prior year. The decrease was due to increased disbursements for capital outlay.

The Village's largest general receipts are income taxes of \$836,677 and grants and entitlements of \$261,552. These receipts represent 48.32 and 15.11 percent, respectively, of the total revenues received for governmental activities during the year. Property tax receipts increased by only \$3,454 from 2004 to 2005 as development within the Village slowed. Income tax receipts increased by \$169,216 from 2004 to 2005.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Village of Lakemore
Summit County
Management's Discussion and Analysis
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Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has several business-type activities, the provision of water, sewer, and trash collection. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Emergency Medical Services Ambulance fund, Community Development Block Grant fund and Capital Improvement fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Village of Lakemore
Summit County
Management's Discussion and Analysis
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Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds: water, sewer, and trash collection.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	\$808,122	\$960,224	\$524,282	\$538,598	\$1,332,404	\$1,498,822
Net Assets						
Restricted for:						
Capital Projects	367,324	598,110	0	0	367,324	598,110
Other Purposes	354,160	346,531	0	0	354,160	346,531
Unrestricted	86,638	15,583	524,282	538,598	610,920	554,181
Total Net Assets	\$808,122	\$960,224	\$524,282	\$538,598	\$1,332,404	\$1,498,822

As mentioned previously, net assets of governmental activities decreased \$152,102 or 15.84 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- During fiscal year 2005, there was an anticipated decrease in local income tax receipts expected due to Edwin Shaw Hospitals moving out of the Village. Even though, the decrease in revenues was not true for fiscal year 2005, several cuts were made in most of the expenditures.
- Capital outlay increased by \$136,512 due to purchasing police and fire vehicles, and a plow truck.
- In 2005, the Village payment for the police facility loan was \$65,230 (\$47,187 principal and \$18,043 interest) compared to \$32,615 (\$22,692 principal and \$9,923 interest) in fiscal year 2004. Also, in 2005, the Village made the final equipment lease payment of \$14,162 (\$13,362 principal and \$800 interest).

Table 2 reflects the changes in net assets on a cash basis in 2005 and 2004 for governmental activities, business-type activities and total primary government.

Village of Lakemore
Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)

Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$184,546	\$322,783	\$646,005	\$700,578	\$830,551	\$1,023,361
Operating Grants and Contributions	243,424	0	0	0	243,424	0
Total Program Receipts	427,970	322,783	646,005	700,578	1,073,975	1,023,361
General Receipts:						
Property and Other Local Taxes	110,776	107,322	0	0	110,776	107,322
Income Taxes	836,677	667,461	0	0	836,677	667,461
Cable Franchise Fees	19,337	0	0	0	19,337	0
Grants and Entitlements Not Restricted to Specific Programs	261,552	464,888	61,031	0	322,583	464,888
Interest	49,252	18,991	0	0	49,252	18,991
Miscellaneous	25,996	7,014	0	0	25,996	7,014
Total General Receipts	1,303,590	1,265,676	61,031	0	1,364,621	1,265,676
Total Receipts	1,731,560	1,588,459	707,036	700,578	2,438,596	2,289,037
Disbursements:						
General Government	542,969	817,732	0	0	542,969	817,732
Security of Persons and Property	715,748	650,455	0	0	715,748	650,455
Public Health Services	195,324	218,044	0	0	195,324	218,044
Leisure Time Activities	25,784	19,614	0	0	25,784	19,614
Transportation	154,414	202,924	0	0	154,414	202,924
Capital Outlay	170,031	33,517	0	0	170,031	33,517
Principal Retirement	60,549	36,054	0	0	60,549	36,054
Interest and Fiscal Charges	18,843	10,723	0	0	18,843	10,723
Water	0	0	183,497	160,673	183,497	160,673
Sewer	0	0	475,953	439,481	475,953	439,481
Trash Collection	0	0	61,902	93,453	61,902	93,453
Total Disbursements	1,883,662	1,989,063	721,352	693,607	2,605,014	2,682,670
Increase (Decrease) in Net Assets	(152,102)	(400,604)	(14,316)	6,971	(166,418)	(393,633)
Net Assets Beginning of Year	960,224	1,360,828	538,598	531,627	1,498,822	1,892,455
Net Assets End of Year	\$808,122	\$960,224	\$524,282	\$538,598	\$1,332,404	\$1,498,822

Village of Lakemore
Summit County
Management's Discussion and Analysis
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Program receipts represent only 24.72 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license tax, gas tax, building permits and inspection fees.

General receipts represent 75.28 percent of the Village's total receipts and of the total only 6.40 percent are property and other taxes. State and federal grants and entitlements account for 20.06 percent of the Village's general receipts. Income tax is the primary receipt accounting for 64.18 percent of the general receipts and 48.32 percent of the total receipts.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other government activities. These include the costs of council, the fiscal officer and internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, they have been limited to 41.65 percent of unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 28.83 and 38.00 percent of all governmental disbursements, respectively. Transportation also represents a significant cost at 8.20 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$542,969	(\$509,122)	\$817,732	(\$685,031)
Security of Persons and Property	715,748	(597,366)	650,455	(537,308)
Public Health Services	195,324	(22,723)	218,044	(182,660)
Leisure Time Activities	25,784	(24,177)	19,614	(16,431)
Transportation	154,414	(52,881)	202,924	(169,994)
Capital Outlay	170,031	(170,031)	33,517	(28,078)
Principal Retirement	60,549	(60,549)	36,054	(36,054)
Interest and Fiscal Charges	18,843	(18,843)	10,723	(10,723)
Total Expenses	\$1,883,662	(\$1,455,692)	\$1,989,063	(\$1,666,279)

The dependence upon property and income tax receipts is apparent as over 50.30 percent of governmental activities are supported through these general receipts.

Village of Lakemore
Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Business-type Activities

These activities represent 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 has three significant enterprise activities: water, sewer and trash collection. The water and sewer funds had decreases in net assets of \$22,240 and \$44,071, respectively, due to increased operational costs.

The Village's Funds

Total governmental funds had receipts of \$1,731,560 and disbursements of \$1,883,662. The greatest change in governmental funds occurred within the Capital Improvement Fund. The fund balance of the Capital Improvement fund decreased \$230,786 as the result of increased costs for purchasing police and fire vehicles, and a plow truck. Also the Village made police facility loan and equipment lease payments from the Capital Improvement fund.

General Fund balance increased by \$71,056 compared to 2004, as a result of cuts in park repairs and maintenance and reductions in office personnel. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes remains stagnant.

Total business-type funds had operating disbursements of \$721,352 which exceeded operating receipts of \$646,005 by \$75,347. Overall there was a \$14,316 decrease in the net assets of the business-type activities due to increased costs of operating the water and sewer funds. The Village is consistent with reviews of these funds to ensure necessary adjustments are made when they are needed.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village did not amend the budgeted receipts. The actual receipts were \$361,512 less than the budgeted receipts, due mainly to actual income tax receipts coming in \$188,137 under budgeted receipts.

Original budgeted expenditures were equal to the final budgeted expenditures. Final budgeted expenditures were \$549,925 lower than actual expenditures, indicating that the Village spent significantly more than the appropriated expenditures. Although receipts failed to live up to expectations, appropriations were not reduced.

Village of Lakemore
Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Debt Administration

At December 31, 2005, the Village's outstanding debt was the \$308,140 loan issued for construction of the police facility. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. We have reduced planned park repairs and maintenance and have also reduced staffing levels in areas where we felt it would have the least impact on services

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Richard Quay, Fiscal Officer, Village of Lakemore, P.O Box 455, 1400 Main Street, Summit County, Ohio 44250-0455. The Village phone number is (330) 733-6125 and the e-mail address of the Fiscal Officer is clerk@lakemoreohio.org.

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Village of Lakemore
Summit County
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$808,122	\$524,282	\$1,332,404
Net Assets			
Restricted for:			
Capital Projects	367,324	0	367,324
Other Purposes	354,160	0	354,160
Unrestricted	86,638	524,282	610,920
<i>Total Net Assets</i>	<u>\$808,122</u>	<u>\$524,282</u>	<u>\$1,332,404</u>

See accompanying notes to the basic financial statements

Village of Lakemore
Summit County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
General Government	\$542,969	\$33,847	\$0
Security of Persons and Property	715,748	44,060	74,322
Public Health Services	195,324	99,122	73,479
Leisure Time Activities	25,784	1,607	0
Transportation	154,414	5,910	95,623
Capital Outlay	170,031	0	0
Debt Service:			
Principal Retirement	60,549	0	0
Interest and Fiscal Charges	18,843	0	0
<i>Total Governmental Activities</i>	<u>1,883,662</u>	<u>184,546</u>	<u>243,424</u>
Business Type Activities			
Water	183,497	161,257	0
Trash Collection	61,902	111,336	0
Sewer	475,953	373,412	0
<i>Total Business-Type Activities</i>	<u>721,352</u>	<u>646,005</u>	<u>0</u>
Total	<u><u>\$2,605,014</u></u>	<u><u>\$830,551</u></u>	<u><u>\$243,424</u></u>

General Receipts

Property Taxes Levied for:
 General Purposes
 Special Revenue
Municipal Income Taxes
Cable Franchise Fees
Grants and Entitlements not Restricted to
 Specific Programs
Interest
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net Receipts (Disbursements) and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$509,122)	\$0	(\$509,122)
(597,366)	0	(597,366)
(22,723)	0	(22,723)
(24,177)	0	(24,177)
(52,881)	0	(52,881)
(170,031)	0	(170,031)
(60,549)	0	(60,549)
(18,843)	0	(18,843)
<u>(1,455,692)</u>	<u>0</u>	<u>(1,455,692)</u>
0	(22,240)	(22,240)
0	49,434	49,434
<u>0</u>	<u>(102,541)</u>	<u>(102,541)</u>
<u>0</u>	<u>(75,347)</u>	<u>(75,347)</u>
<u>(1,455,692)</u>	<u>(75,347)</u>	<u>(1,531,039)</u>
100,538	0	100,538
10,238	0	10,238
836,677	0	836,677
19,337	0	19,337
261,552	61,031	322,583
49,252	0	49,252
<u>25,996</u>	<u>0</u>	<u>25,996</u>
1,303,590	61,031	1,364,621
(152,102)	(14,316)	(166,418)
<u>960,224</u>	<u>538,598</u>	<u>1,498,822</u>
<u>\$808,122</u>	<u>\$524,282</u>	<u>\$1,332,404</u>

Village of Lakemore
Summit County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2005

	General	Emergency Medical Services Ambulance	Community Development Block Grant	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$143,303	\$113,682	\$131,174	\$367,324	\$52,639	\$808,122
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$143,303	\$0	\$0	\$0	\$0	\$143,303
Special Revenue Funds	0	113,682	131,174	0	109,304	354,160
Debt Service Fund	0	0	0	0	(56,665)	(56,665)
Capital Projects Funds	0	0	0	367,324	0	367,324
<i>Total Fund Balances</i>	<u>\$143,303</u>	<u>\$113,682</u>	<u>\$131,174</u>	<u>\$367,324</u>	<u>\$52,639</u>	<u>\$808,122</u>

See accompanying notes to the basic financial statements

Village of Lakemore
Summit County

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2005

	General	Emergency Medical Services Ambulance	Community Development Block Grant	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	\$836,677	\$0	\$0	\$0	\$0	\$836,677
Property and Other Local Taxes	100,538	0	0	0	10,174	110,712
Charges for Services	10,276	98,356	0	0	0	108,632
Fines, Licenses and Permits	60,989	0	0	0	1,228	62,217
Intergovernmental	334,816	60,835	0	0	108,331	503,982
Special Assessments	14,755	0	0	0	0	14,755
Cable Franchise Fees	19,337	0	0	0	0	19,337
Interest	48,365	0	0	0	887	49,252
Miscellaneous	25,228	0	0	0	768	25,996
<i>Total Receipts</i>	<u>1,450,981</u>	<u>159,191</u>	<u>0</u>	<u>0</u>	<u>121,388</u>	<u>1,731,560</u>
Disbursements						
Current:						
General Government	542,969	0	0	0	0	542,969
Security of Persons and Property	704,079	0	0	0	11,669	715,748
Public Health Services	12,288	152,634	0	0	30,402	195,324
Leisure Time Activities	25,784	0	0	0	0	25,784
Transportation	94,805	0	0	0	59,609	154,414
Capital Outlay	0	0	18,637	151,394	0	170,031
Debt Service:						
Principal Retirement	0	0	0	60,549	0	60,549
Interest and Fiscal Charges	0	0	0	18,843	0	18,843
<i>Total Disbursements</i>	<u>1,379,925</u>	<u>152,634</u>	<u>18,637</u>	<u>230,786</u>	<u>101,680</u>	<u>1,883,662</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	71,056	6,557	(18,637)	(230,786)	19,708	(152,102)
<i>Fund Balances Beginning of Year</i>	<u>72,247</u>	<u>107,125</u>	<u>149,811</u>	<u>598,110</u>	<u>32,931</u>	<u>960,224</u>
<i>Fund Balances End of Year</i>	<u>\$143,303</u>	<u>\$113,682</u>	<u>\$131,174</u>	<u>\$367,324</u>	<u>\$52,639</u>	<u>\$808,122</u>

See accompanying notes to the basic financial statements

Village of Lakemore
Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$1,024,814	\$1,024,814	\$836,677	(\$188,137)
Property and Other Local Taxes	124,902	124,902	100,538	(24,364)
Charges for Services	17,424	17,424	10,276	(7,148)
Fines, Licenses and Permits	54,400	54,400	60,989	6,589
Intergovernmental	408,826	408,826	334,816	(74,010)
Special Assessments	18,143	18,143	14,755	(3,388)
Cable Franchise Fees	23,777	23,777	19,337	(4,440)
Interest	59,834	59,834	48,365	(11,469)
Miscellaneous	80,373	80,373	25,228	(55,145)
<i>Total Receipts</i>	<u>1,812,493</u>	<u>1,812,493</u>	<u>1,450,981</u>	<u>(361,512)</u>
Disbursements				
Current:				
General Government	0	0	542,969	(542,969)
Security of Persons and Property	0	0	704,079	(704,079)
Public Health Services	0	0	12,288	(12,288)
Leisure Time Activities	0	0	25,784	(25,784)
Transportation	0	0	94,805	(94,805)
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>1,379,925</u>	<u>(1,379,925)</u>
<i>Net Change in Fund Balance</i>	1,812,493	1,812,493	71,056	(1,741,437)
<i>Fund Balance Beginning of Year</i>	<u>72,247</u>	<u>72,247</u>	<u>72,247</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,884,740</u>	<u>\$1,884,740</u>	<u>\$143,303</u>	<u>(\$1,741,437)</u>

See accompanying notes to the basic financial statements

Village of Lakemore
Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Emergency Medical Services Ambulance Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	\$116,309	\$116,309	\$98,356	(\$17,953)
Intergovernmental	13,691	13,691	60,835	47,144
<i>Total Receipts</i>	130,000	130,000	159,191	29,191
Disbursements				
Current:				
Public Health Services	0	0	152,634	(152,634)
<i>Net Change in Fund Balance</i>	130,000	130,000	6,557	(123,443)
<i>Fund Balance Beginning of Year</i>	107,125	107,125	107,125	0
<i>Fund Balance End of Year</i>	<u>\$237,125</u>	<u>\$237,125</u>	<u>\$113,682</u>	<u>(\$123,443)</u>

See accompanying notes to the basic financial statements

Village of Lakemore
Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Community Development Block Grant Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts	\$0	\$0	\$0	\$0
Disbursements				
Capital Outlay	<u>0</u>	<u>0</u>	<u>18,637</u>	<u>(18,637)</u>
<i>Net Change in Fund Balance</i>	0	0	(18,637)	(18,637)
<i>Fund Balance Beginning of Year</i>	<u>149,811</u>	<u>149,811</u>	<u>149,811</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$149,811</u></u>	<u><u>\$149,811</u></u>	<u><u>\$131,174</u></u>	<u><u>(\$18,637)</u></u>

See accompanying notes to the basic financial statements

Village of Lakemore
Summit County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Trash Collection</u>	<u>Total Proprietary Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>(\$14,699)</u>	<u>\$512,552</u>	<u>\$26,429</u>	<u>\$524,282</u>
Net Assets				
Unrestricted (Deficit)	<u>(\$14,699)</u>	<u>\$512,552</u>	<u>\$26,429</u>	<u>\$524,282</u>

See accompanying notes to the basic financial statements

Village of Lakemore
Summit County
Statement of Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005

	Water	Sewer	Trash Collection	Total Proprietary Funds
Operating Receipts				
Charges for Services	\$161,085	\$373,282	\$111,336	\$645,703
Other Operating Receipts	172	130	0	302
<i>Total Operating Receipts</i>	<u>161,257</u>	<u>373,412</u>	<u>111,336</u>	<u>646,005</u>
Operating Disbursements				
Purchased Services	21,444	8,214	0	29,658
Personal Services	88,921	53,634	0	142,555
Fringe Benefits	21,057	14,895	0	35,952
Contractual Services	29,451	382,623	61,902	473,976
Materials and Supplies	12,110	16,587	0	28,697
Other	10,514	0	0	10,514
<i>Total Operating Disbursements</i>	<u>183,497</u>	<u>475,953</u>	<u>61,902</u>	<u>721,352</u>
<i>Operating Income (Loss)</i>	(22,240)	(102,541)	49,434	(75,347)
Non-Operating Receipts				
Intergovernmental	0	58,470	2,561	61,031
<i>Change in Net Assets</i>	(22,240)	(44,071)	51,995	(14,316)
<i>Net Assets Beginning of Year (Deficit)</i>	<u>7,541</u>	<u>556,623</u>	<u>(25,566)</u>	<u>538,598</u>
<i>Net Assets End of Year (Deficit)</i>	<u><u>(\$14,699)</u></u>	<u><u>\$512,552</u></u>	<u><u>\$26,429</u></u>	<u><u>\$524,282</u></u>

See accompanying notes to the basic financial statements

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Description of the Village and Reporting Entity

The Village of Lakemore, Summit County, Ohio, 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, and trash collection utilities, maintenance of Village roads and bridges, park operations, police services and emergency medical services. The Village uses general fund money to support a part-time fire department.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

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

The Village participates in a shared risk pool and a related organization. These organizations are the Ohio Government Risk Management Plan and the Springfield Township Local Cable Communication Board. These organizations are discussed in Notes 9 and 14 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

As discussed further under Basis of Accounting below, the financial statements of the Village have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the Village's accounting policies.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General, Emergency Medical Services Ambulance, Community Development Block Grant and Capital Improvement Funds. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose. The Village's major governmental funds are as follows:

General Fund This fund reports all financial resources except those required to be accounted for in another fund.

Emergency Medical Services Ambulance Fund This fund receives grants and charges for services revenue to provide emergency medical service to Village residents.

Community Development Block Grant Fund This fund accounts for monies received from Federal grants and expenditures related to the Community Development Block Grant program.

Capital Improvement Fund This fund is used to purchase capital equipment for various departments in the Village.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water, sewer and trash collection funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

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

Trash Collection Fund - The trash fund receives charges for services from residents to cover trash collection service costs.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. Local governments in Summit County use the alternate tax budget. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for the General Fund and at the fund, department for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year. The Village Council did not pass permanent appropriations or amendments to them during 2005.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During 2005, the Village had investments in an overnight sweep repurchase agreement.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$48,365 which includes \$43,068 assigned from other Village funds.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$721,484 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for special Village programs.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Village has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The Village also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

For fiscal year 2005, the Village has implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosure”. GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the Village’s financial statements for fiscal year 2005.

Note 4 – Accountability and Compliance

A. Accountability

Contrary to Ohio Revised Code (ORC) section 5705.10(H), at December 31, 2005, the following funds had deficit fund balances:

Funds	Amount
Governmental Funds:	
SCMR	\$38,575
Police Disability and Pension	23,703
Note Principal on Police Facility	65,229
Proprietary Fund:	
Water	14,699

The general fund is liable for any deficits in these funds and provides operating transfers when cash is required.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

B. Compliance

Contrary to ORC section 5705.28(A)(2), Village Council did not adopt an annual tax budget or alternate tax budget.

Contrary to ORC section 5705.34, Village Council passed a resolution authorizing the necessary tax levies and certified the levies to the County Fiscal Officer after the required deadline.

Contrary to ORC section 5705.36(A)(1), the Village failed to certify the total amount available from each fund to the County Fiscal Officer.

Contrary to ORC section 5705.38(A), the Village did not pass a permanent appropriation measure.

Contrary to ORC section 5705.41(D), the Village Fiscal Officer did not certify the availability of funds prior to incurring expenditure obligations.

Contrary to ORC section 9.38, certain receipts were not deposited within 24 hours of collection.

Contrary to ORC section 733.28, the Village Fiscal Officer did not maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, the Emergency Medical Services Ambulance and the Community Development Block Grant special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). For 2005, the Village had no outstanding encumbrances or advances at year end and therefore had no differences between the budgetary basis and the cash basis.

Note 6 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Village's bank balance of \$72,160 or Bond and Coupon account of \$205 was exposed to custodial credit risk.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Village had investments in an overnight sweep repurchase agreement with a balance of \$1,390,309.

Note 7 – Income Taxes

The Village levies a two percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Residents of the Village are granted 100 percent credit for taxes paid to other municipalities. Income taxes are collected by the Regional Income Tax Agency (RITA). Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 8 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

The full tax rate for all Village operations for the year ended December 31, 2005, was \$2.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Estate:	
Residential/Agriculture	\$36,472,590
Tangible Personal Property:	
Public Utility	576,380
General Tangible Personal Property	959,583
Total Valuation	\$38,008,553

Note 9 – Risk Management

A. Property and Liability

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Village contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Great American Property Company	Property (\$1,000 Deductible)	\$3,587,859
	Inland Marine (\$1,000 Deductible)	473,557
Clarendon Insurance Company	General Liability	4,000,000
	Public Officials (\$2,500 Deductible)	4,000,000
	Employment Practices (\$2,500 Deductible)	5,000,000
	Law Enforcement (\$2,500 Deductible)	5,000,000
	Auto Liability	1,000,000
	Umbrella (\$10,000 Deductible)	1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

B. Shared Risk Pool

The Village belongs to 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 over 550 Ohio governments ("Members").

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverages, 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2005
Assets	\$8,219,430
Liabilities	<u>(2,748,639)</u>
Members' Equity	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Note 10 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377. For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent.

The Village's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional plan (the only plan Village employees are contributing to) for the year ended December 31, 2005 was \$61,139. The full amount has been contributed for 2005.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions to the Fund for the year ended December 31, 2005 was \$33,293. The full amount has been contributed for 2005.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.0 percent of covered payroll was the portion that was used to fund health care.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.0 and 6.0 percent annually for the next eight years and 4.0 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$25,608. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$17,596 for police and \$3,155 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 12 - Debt

The Village's long-term debt activity as of December 31, 2005, follows:

	Principal Outstanding 12/31/2004	Principal Issued During Year	Principal Retired During Year	Principal Outstanding 12/31/2005
Governmental Activities:				
Police Facility Loan - 2001	\$355,327	\$0	\$47,187	\$308,140
Equipment Lease	13,362	0	13,362	0
Total Long-Term Debt	\$368,689	\$0	\$60,549	\$308,140

The loan was obtained in 2001 to construct a police facility. The original amount of the loan was \$500,000 at an interest rate of 5.25 percent. The loan will be repaid in semiannual installments of \$32,615 including interest over ten years. The loan is collateralized by the Village's taxing authority.

Amortization of the above debt, including interest, follows:

Year Ending December 31:	Police Facility Loan		
	Principal	Interest	Total
2006	\$49,696	\$15,534	\$65,230
2007	52,340	12,890	65,230
2008	55,124	10,106	65,230
2009	58,056	7,174	65,230
2010	61,143	4,086	65,229
2011	31,781	834	32,615
	\$308,140	\$50,624	\$358,764

Note 13 - Leases

During 2004, the Village obtained a lease for the purchase of police radio equipment. The original amount of the lease was \$55,969. The lease had a \$30,000 down payment and was repaid in annual installments of \$14,162 including interest over two years. The lease was collateralized by the related equipment.

During 2005, the Village paid the last installment on the lease of \$14,162 including interest.

Village of Lakemore
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 14 – Related Organization

The Village appoints one of the five members of the Springfield Township Local Cable Communications Board, Inc (the Board). The Board operates, maintains, manages and regulates the cable television programming and charges and receives 2% franchise fees on behalf of its member communities (Lakemore Village and Springfield Township). The Board is responsible for its own staff and does not rely on the Village to finance deficits. The Village is not financially accountable for the Board nor is the Board financially dependent on the Village. The Board serves as its own budgeting, taxing and debt issuance authority. Per agreement between all parties, Springfield Township performs the payroll functions for the Board and the Board reimburses the Township on a quarterly basis. The Village received \$19,337 in franchise fees from the Board during 2005. Complete financial statements can be obtained from the Springfield Township Local Cable Communications Board, Inc, by calling Frank Chenoweth, Station Manager at (330) 798-1079.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Lakemore
Summit County
P.O. Box 455
1400 Main Street
Lakemore, Ohio 44250-0455

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 18, 2009, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also were unable to obtain sufficient evidence regarding \$98,356 of charges for services recorded in the Emergency Medical Services Ambulance Fund. Except as discussed in the preceding sentence, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2005-001 through 2005-008 and 2005-018 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2005-001 through 2005-007 and 2005-018 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 18, 2009.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-009 through 2005-019.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 18, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 18, 2009

VILLAGE OF LAKEMORE
SUMMIT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Material Weakness

Cash Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records.

For each month of 2005, the Village did not reconcile the bank balance to the balance reflected within the Village's accounting records. Since the Village did not provide reconciled financial statements, the Village was declared unauditably by the Auditor of State on September 17, 2007. Subsequently, the Village contracted with Local Government Services (LGS), a division of the Auditor of State's Office to assist with the Village's bank to book reconciliations for 2005 and to reorganize the Village's financial statements and underlying accounting records as deemed necessary. In addition, LGS also compiled the 2005 financial statements in the Other Comprehensive Basis of Accounting (OCBOA) format.

Without complete and accurate monthly bank reconciliations, the Village's internal control is significantly weakened which could hinder the timely detection of errors or irregularities in the financial records and/or financial statements by management.

The Village should perform complete monthly bank reconciliations in a timely manner. A copy of the monthly bank reconciliation and listing of outstanding checks and other reconciling items should be provided to the Village Council each month for review. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented.

Officials' Response: Monthly reconciliations are now performed regularly with receipt of the bank statements, generally seven to ten days after month end. We are currently changing to Chase Bank and being set up with on-line banking which will allow us to reconcile on a real time basis beginning in 2009.

FINDING NUMBER 2005-002

Material Weakness

Cash Receipts

Our testing revealed numerous weaknesses with respect to the posting and reporting of revenue transactions. These weaknesses included, but were not limited to, revenues being posted to incorrect funds and/or accounts, not posting transactions timely and lack of sufficient supporting documentation. These weaknesses could lead to inefficient operation of the Village's finance functions, and financial statement errors. In addition, these weaknesses may compromise management's ability to effectively monitor the finances and make appropriate decisions for the Village.

FINDING NUMBER 2005-002 (Continued)

Specific errors included, but were not limited to, the following:

- \$7,422 of gas tax revenue posted as miscellaneous revenue within the General Fund which should have been posted as intergovernmental revenue within the Street Construction Maintenance and Repair Fund;
- \$14,485 of liquor permit fees, homestead and rollback and local government posted as miscellaneous revenue within the General Fund rather than intergovernmental revenue within the General Fund;
- \$10,276 of engineering reimbursements posted as miscellaneous revenue within the General Fund which should have been posted as charges for services within the General Fund;
- \$28,768 of grant revenue posted as miscellaneous revenue within the General Fund which should have been posted as intergovernmental revenue within the EMS Fund;
- \$14,171 of park fees posted as charges for services within the General Fund which should have been posted as fines, licenses and permits within the General Fund;

The Village should take the necessary steps to ensure receipts are accounted for and properly classified when posted to the Village's accounting system. To achieve this, the Fiscal Officer should review the Village Officer's Handbook and maintain a fund/account sheet which documents the specific accounts where each type of revenue should be posted.

The receipt posting errors resulting in a net change in individual fund cash fund balances were made in connection with our procedures. The Street Construction Maintenance and Repair and EMS Funds' ending cash fund balances at December 31, 2005 should be increased by \$7,422 and \$28,768, respectively. The General Fund's ending cash fund balance at December 31, 2005 should be decreased by \$36,190. These adjustments were made to the accompanying financial statements. The Village should adjust its financial records to reflect the December 31, 2005 cash fund balances as its beginning 2006 fund balances and continue its operations thereafter based on these amounts.

Officials' Response: These posting errors have been corrected with the UAN accounting system.

FINDING NUMBER 2005-003

Material Weakness

Utility Operations

Our review of the Utility Department procedures noted the following weaknesses:

- The Village did not have a separate Agency Fund to account for utility customer deposits. Utility customer deposits required for new customers were commingled with utility charges in the utility system's monthly cash journal resulting in an overstatement of water utility revenue; or were omitted entirely from the utility cash receipts journal. No record was kept to track those customers who have made a deposit with the Village or the amount paid. In addition, the utility deposits are refundable after two years, if the customer account is current. Because the Village has no record of who has made security deposits and the amounts, deposits due to the customers were unable to be tracked and could materially misstate the financial statements.

FINDING NUMBER 2005-003 (Continued)

The Village should create an Agency Fund for utility customer deposits and maintain records of who has paid deposits and the amount. When a customer is due a refund of a deposit, the Village should have adequate records to help ensure the correct amount is refunded.

- The Village was unable to provide the original meter reading books used to record the actual water consumption by customers.

Although we were able to perform alternate audit procedures, meter reading books should be maintained to provide adequate documentation to support customer water consumption in the event a customer questions their bill. This will also help ensure correct amounts were billed and subsequently received and recorded in the financial statements.

- The Utility System Monthly Cash Receipts Journal was not reconciled to the bank deposits or to the general ledger accounts.

Formal reconciliations should be performed on a monthly basis to reconcile the Utility System Monthly Cash Receipts Journal to the bank deposit and general ledger accounts to help ensure all amounts are recorded correctly in the financial statements.

- The Village's Utility Department does not have a policy governing non-cash adjustments and their subsequent approval. Also, the Village does not use a standard form for recording, approving, and completing non-cash adjustments.

The Village Council should approve a formal policy for non-cash adjustments to include the use of a standard form for recording, approving, and completing non-cash adjustments with a section for the signature of the Village Administrator to indicate approval of the form. This will help to ensure all non-cash adjustments to the utility customers' accounts are legitimate, properly executed, and recorded in the financial statements.

- The Village does not formally approve the contracts for customers who are only billed for either water or sewer services.

The Village Council should approve all contracts for utility customers who are only receiving either water or sewer services. This will help to ensure all billings to either water or sewer only customer accounts are legitimate, properly billed, and recorded in the financial statements.

Officials' Response: A deposit fund, number 5781-544-0000, has been established. The utility clerk will maintain a journal with the name and account number for all customers who have made a utility deposit. Meter read books are now kept and tracked correctly. We will implement a formal approval procedure for customers billed for only water or sewer services.

FINDING NUMBER 2005-004

Material Weakness

Payroll Expenditures

Our testing of Payroll Expenditures noted the following weaknesses:

- During the year, the Village Administrator was paid \$500 seniority pay for 35 year experience without evidence of Village Council approval. Council members indicated this was past practice and thought it was included in the policies and procedures manual.

FINDING NUMBER 2005-004 (Continued)

Village Council approval should be documented in written form whether through a resolution in the Council Minutes or through salary or wage agreements. This will help ensure employees are only paid approved amounts of compensation and amounts are recorded properly in the financial statements.

- For the pay date August 26, 2005, the Utility Clerk was paid an additional two hours she did not work totaling \$26.88. This could potentially have a material impact on the financial statements.

The Fiscal Officer should ensure the payroll data (time card or time sheet) used to pay employees is accurate and correct before the payroll is processed. This will help ensure the Village only pays employees for the time they actually performed services for the Village and amounts are recorded properly in the financial statements.

- During the year, the Utility Clerk was paid an hourly rate higher than the Village Council's approved pay rate ordinances. The approved hour pay rate was \$11.38; however, the actual pay rate used to calculate the Utility Clerk's payroll was \$13.44 per hour starting in May for which no documentation was provided by the Village to support that rate. For the year, the Utility Clerk was over paid \$2,660.05. Council members indicated their intent was to pay the higher rate even though it was not formally documented in the minutes.

All changes to employee pay rates must be supported by documentation in the form of a contract, salary notice or resolution approved by the Village Council before an employee's is paid. This will help ensure the Village only pays employees the appropriate amounts approved by the Village Council and amounts are recorded properly in the financial statements.

- During the year, the Village made various under and overpayments to the Ohio Police & Fire Pension Fund (OPFPF) which resulted in a net overpayment of \$12,233.73 for the Police portion at year end. The Village incurred \$3,445.49 in penalties for underpayment and late payments of the Police portion of the liability. The overpayments made by the Village were either applied to any underpayments or penalty charges or were returned to the Village by the Ohio Police & Fire Pension Fund. These under or overpayments could materially misstate the financial statements.
- During the year, the Village incurred \$448.01 in penalties and interest for filing reports late for Ohio Public Employees Retirement System (OPERS).

The Village Fiscal Officer should more closely monitor and ensure timely payments are made to the respective retirement systems to avoid penalty and interest fees.

- During the year, the Village did not maintain any records or ledgers for the payroll transactions. The Village processed payroll transactions along with non-payroll transactions and any information regarding payroll was documented on the check voucher, such as account distribution.

The Fiscal Officer should maintain payroll ledgers to support the hours worked and wages paid to its employees on a bi-weekly basis. These ledgers will document the gross pay, required and elective withholdings and net pay and will help support any disagreement between the Village and employees concerning payments made. This will help ensure there are no material misstatements to the financial statements.

Officials' Response: This policy, for seniority pay, will be formally adopted to Policies and Procedures in 2009. At this point, all payroll and retirement reporting corrections should be in place. I now maintain all relevant payroll tracking information, not the individual department heads.

FINDING NUMBER 2005-005

Material Weakness

Council Monitoring of Financial Reports

The Village Council did not receive any financial reports during the audit period. Not reviewing and approving monthly reports demonstrates a lack of fiscal monitoring by Village Council. Unrecognized errors resulting in misstatements of the Village's records occurred and were not timely detected as a result of not monitoring the monthly reports. These included revenues recorded in the wrong funds and line items. Thirty-eight audit adjustments were posted to the financial statements to correct these errors totaling \$166,270.

Village Council should request monthly financial reports and formally recognize in the minutes the acceptance of monthly reports they receive from the Fiscal Officer. Reports should include, but not be limited to, monthly cash reconciliations, budget to actual statements, year-to-date receipt, expenditure, and fund balance reports. These reports should reflect all activity of the Village and should be up-to-date. This will increase Council's awareness of all finance related activity and help facilitate their decision making process.

Officials' Response: Council is updated on a regular basis as to the financial health of the Village. UAN revenue, expenditure and reconciliation reports are given for review.

FINDING NUMBER 2005-006

Material Weakness

Segregation of Duties

Internal control procedures are developed and implemented to assist management in reducing potential financial statement misstatements by detecting or preventing errors and irregularities in the accounting system in a timely manner. There is no segregation of duties between the Fiscal Officer's department and the utility department. During the audit period, there were times when the Utility Clerk collected the money received by various departments, deposited the monies, and opened all the mail.

Collections from all departments should be deposited with the Fiscal Officer. The Fiscal Officer should issue a receipt for all monies received, whether received directly (i.e., County Fiscal Officer receipts), or received from another department. The Fiscal Officer should make all bank deposits. All departments submitting collections to the Fiscal Officer should also submit all supporting documentation such as duplicate departmental receipts issued to the customer, copies of permits, dock forms, summary Utility Cash Receipt Journal, etc. with the deposit ticket in order to permit the Fiscal Officer to reconcile the bank deposits to the departmental records and to determine the source and purpose for appropriate accounting treatment. The Department should reconcile their receipt records with the Fiscal Officer on a monthly basis to help ensure the monies are being deposited correctly. In addition, the Fiscal Officer should perform spot checks at various remote collection points to verify the day's collections and provide additional oversight on these locations.

Officials' Response: All transactions in the utility department are presented to me on a daily basis. I review all deposits made by the utility clerk.

FINDING NUMBER 2005-007

Material Weakness

Service Organization

The Village has delegated emergency medical service fee processing and billing, which is a significant accounting function, to North Coast Physicians, (the service organization), a third party administrator. The Village has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that emergency medical service fees have not been completely and accurately processed in accordance with the contract. The service organization does not provide assurances to the Village it is properly billing and processing the collection of fees in accordance with Village policies. Therefore, we have no assurance the \$98,356 of charges for services recorded in the Emergency Medical Services Ambulance Fund was properly billed, collected, and remitted to the Village.

In order to reasonably ensure the completeness and accuracy of emergency medical service fees processed by the service organization, a Statement of Auditing Standards No. 70 (SAS70) Tier II report, which prescribes testing and reporting standards for audits of claims processing controls in place at the service organization, should be provided.

The Village should request a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from North Coast Physicians. Such a report, if unqualified, would provide evidence to the Village's management fees for their ambulance services are being processed in conformance with Village policies. Failure to obtain such a report puts the burden on management to provide evidence services are being properly billed and all fees due to the Village are being collected and remitted to the Village.

Officials' Response: We are currently looking for a new EMS billing agent. The new agent will provide us all necessary documentation on reporting and must present a SAS 70 tier II report. This will be a contractual requirement.

FINDING NUMBER 2005-008

Significant Deficiency

Income Tax Receipts

During the year, the Fiscal Officer recorded income tax receipts at the net distribution amount rather than the gross distribution amount. The gross distribution was \$849,357 and the disbursements were \$33,974. This could result in a material misstatement of the financial statements.

Although the difference wasn't material to adjust the financial statements, the Fiscal Officer should record income tax receipts at the gross distribution amount and record the related retainer fees as disbursements so the accounting ledgers will reflect the net distribution. This will help ensure revenues and disbursements are properly reported in the Village's financial statements.

Officials' Response: Income tax receipts are now booked in gross amounts and retainers then deducted through expenditure postings.

FINDING NUMBER 2005-009

Material Noncompliance

Ohio Rev. Code Section 5705.10(H) requires that monies paid into any fund be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During the year, we noted the following negative cash fund balances:

<u>Fund Type/Fund</u>	<u>Range</u>
Special Revenue Funds	
Street Maintenance	(\$55,645 - \$71,143)
Police Disability & Pension	(22,502 - 33,952)
Debt Service	
Police Facility	(65,229)
Enterprise Fund	
Water	(2,318 - 56,573)

At December 31, 2005, after the effects of adjustments made in connection with our testing, the Village had negative cash balances in the following funds:

<u>Fund Type/Fund</u>	<u>Amount</u>
Special Revenue Funds	
Street Maintenance	(\$38,575)
Police Disability & Pension	(23,703)
Debt Service	
Police Facility	(65,229)
Enterprise Fund	
Water	(14,699)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds.

Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Officials' Response: There are still problems with fund balances. I will go through and make adjustments with these audited records, to bring the balances current. We can then go through and correct any negative fund balances. This process will take well into 2010 for all corrections in fund balances.

FINDING NUMBER 2005-010

Material Noncompliance

Ohio Rev. Code Section 5705.28(A)(2) requires the Village Council as the Village's taxing authority, to adopt a tax budget for the next succeeding year on or before July 15 of each year.

During 2005, Village Council did not adopt an annual tax budget or alternative tax budget as required for 2006. To avoid jeopardizing their share of local government monies, the Village should adopt a tax budget on or before July 15 of each year for the next fiscal year.

Officials' Response: Tax budgets are now adopted and reported to the proper agencies.

FINDING NUMBER 2005-011

Material Noncompliance

Ohio Rev. Code Section 5705.34 requires the Village to pass an ordinance or resolution authorizing the necessary tax levies. The Village is required to certify the levies to the County Fiscal Officer before October 1 of the preceding fiscal year, unless a later date is approved by the tax commissioner.

The Village did not pass a resolution authorizing the necessary tax levies and did not certify the levies to the County Fiscal Officer for 2005 until January 3, 2005. The County Fiscal Officer does not have authority to collect levy monies until the rates and amounts have been certified by the Village. As a result of the late filings, the Village's collection of tax levy revenues for the 2005 fiscal year could have been jeopardized.

The Village should ensure the necessary tax levies are formally approved and certified to the County Fiscal Officer timely. This will help ensure that monies generated from the Village's tax levies can be collected and available for the Village.

Officials Response: We will begin having Council adopt the Tax Budget from this point on.

FINDING NUMBER 2005-012

Material Noncompliance

Ohio Rev. Code Section 5705.36(A)(1) requires on or about the first day of each fiscal year, the fiscal officers of each subdivision and other taxing units shall certify to the county fiscal officer the total amount from all sources available for expenditures from each fund in the tax budget along with any encumbered balances that existed at the end of the preceding year. In addition, this section allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenues to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Village failed to certify the total amount available from each fund to the County Fiscal Officer. By not certifying year-end balances to the County Fiscal Officer, and subsequently obtaining an amended certificate of estimated resources, the Village could base appropriations on outdated estimates of available resources which could result in negative fund balances. The Village should file its certificate of available resources with the County Fiscal Officer on or about the first day of each fiscal year, and should amend it throughout the year as deemed necessary.

Officials' Response: Year end balances will be reported to the County Fiscal Officer for certification on a timely basis.

FINDING NUMBER 2005-013

Material Noncompliance

Ohio Rev. Code Section 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure be passed. The Village may pass a temporary appropriation measure to meet their ordinary expenses until April 1, at which time a permanent appropriation measure must be passed.

Ohio Rev. Code Section 5705.38(C) provides the following minimum level of budgetary control where appropriations measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division and within each, the amount appropriated for personal services.

Ohio Rev. Code Section 5705.41(B) provides no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter.

FINDING NUMBER 2005-013 (Continued)

The Village did not adopt a permanent appropriation measure for 2005. The Village should adopt a permanent appropriation measure by April 1st each year.

The Fiscal Officer should monitor appropriations versus expenditures/expenses to help avoid overspending.

Officials' Response: Appropriations and budgets shall be passed yearly to maintain strong budgetary controls.

FINDING NUMBER 2005-014

Material Noncompliance

Ohio Rev. Code Section 5705.41(D) requires no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), 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 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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. 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.

During the year, 100% of expenditures tested were not certified by the Fiscal Officer. The Village should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates, Blanket Certificates and Super Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER 2005-014 (Continued)

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 Fiscal Officer 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) requires 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.

Officials' Response: Purchase orders and blanket certificates are now used and balances reported to Council and Department Heads.

FINDING NUMBER 2005-015

Material Noncompliance

Ohio Rev. Code Section 9.38 provides that public money must be deposited with the Village Fiscal Officer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

Certain fines, licenses, and permit receipts ranging from \$118 to \$1,802 were not deposited with the Village Fiscal Officer or designated depository for periods ranging between 2 and 13 days after initial receipt of the money. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner.

The Village should properly safeguard receipts and implement the procedures set forth in the Ohio Revised Code and explained in Auditor of State Bulletin 99-020 which addresses depositing requirements and procedures.

Officials' Response: We will make sure that deposits are made on a timely basis, within one day of receipt.

FINDING NUMBER 2005-016

Material Noncompliance

Ohio Revised Code Section 117.38 requires, in part, that cash-basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. These forms must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The Auditor of State may provide waivers of these dates and penalties in certain circumstances.

FINDING NUMBER 2005-016 (Continued)

The Village did not file or publish the notice of availability of the required reports for fiscal year 2005. The Village should file their annual report with the Auditor of State within 60 days of fiscal year end. The Village should also publish notice in a local newspaper indicating the financial report is available for public inspection at the Village's office. The Fiscal Officer should review the Auditor of State Audit Bulletin No. 2008-001 for additional guidance over filing annual reports.

Officials' Response: Annual reports generated through the UAN system will be filed on a timely basis.

FINDING NUMBER 2005-017

Material Noncompliance

Ohio Rev. Code Section 149.351 indicates all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Additionally, **Ohio Rev. Code Section 149.39** requires the creation of a records commission in each municipal corporation. The commission shall be composed of the chief executive or his appointed representative, as chairman, and the chief fiscal officer, the chief legal officer, and a citizen appointed by the chief executive. The commission shall appoint a secretary and meet at least once every six months. The functions of the commission shall be to provide rules for retention and disposal of records and to review applications for one-time records disposal and schedules of records retention and disposition submitted by municipal offices. Records may be disposed of by the commission pursuant to the procedure outlined in this section.

As discussed in Finding Numbers 2005-002 through 2005-004, certain documents, including but not limited to, zoning permits, heating permits, electric permits, utility system new balance listing by account report, customer utility billing contracts for water, sewer and trash removal, original meter reading books, original certificates of estimated resources, sweep account statements, federal withholding checks for September, October & November 2005, and vendor invoices could not be located and are assumed to have been destroyed without the appropriate reviews. Alternate procedures were performed to satisfy the account balances.

The Village has no policy or system of approval to control the shredding of documents, such as duplicate copies or printouts that have been revised in the finance office. The Village should institute written procedures, which should include a process of review and a written log of documents approved for shredding in the finance and other Village offices.

Officials' Response: All Village Officials will be trained on records retention and we will adopt and implement correct record retention policies to ensure the proper treatment of Village records.

FINDING NUMBER 2005-018

Material Weakness/Material Noncompliance

Ohio Rev. Code Section 733.28 requires the Village Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. In addition, **Ohio Admin. Code 117-2-02(D)** requires that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - (a) Payroll records including:
 - (i) W-2's, W-4's and other withholding records and authorizations.
 - (ii) Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
 - (iii) Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
 - (iv) Information regarding nonmonetary benefits such as car usage and life insurance.
 - (v) Information, by employee, regarding leave balances and usage.
 - (b) Utilities billing records including:
 - (i) Master file of service address, account numbers, billing address, type of services provided, and billing rates.
 - (ii) Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount.

FINDING NUMBER 2005-018 (Continued)

(iii) Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above.

- (c) Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

During the year, receipts and expenditures were not posted timely or accurately to the correct funds and accounts by the Village's Fiscal Officer. In addition, the Village was not able to provide cash journals, receipt ledgers, appropriation ledgers, payroll journals, check registers, utility ledgers or capital asset records. The Village should maintain all records required by the Ohio Administrative Code in order to be in compliance with the Code.

Using the aforementioned accounting records will provide the Village with information required to post the revenues and expenditures, monitor compliance with the budget and assist the Village in preparing annual reports in the format required by the Auditor of State.

Officials' Response: The change to the UAN accounting system will help to correct all book maintenance problems that the Village has had in the past.

FINDING NUMBER 2005-019

Material Noncompliance

26 U.S.C. Section 3102(a) requires employers to withhold a Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

Medicare taxes were not withheld for an employee and eight Village officials hired after April 1, 1986.

The Village should withhold Medicare taxes for all employees/elected officials hired after April 1, 1986. The Village should remit Medicare tax withholdings to the Internal Revenue Service.

A referral will be made to the Internal Revenue Service.

Officials' Response: We are currently using a payroll management provider. We will be switching to the UAN payroll system in mid 2009. All medicare issues have been corrected.

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**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Cash Reconciliation Bank reconciliations were not performed for the 2003 or 2004 years.	No	Not corrected, reissued as Finding Number 2005-001.
2004-002	Cash Receipts Receipts were not accounted for or properly classified when posted to the Village's accounting system.	No	Not corrected, reissued as Finding Number 2005-002.
2004-003	Utility Operations Agency fund not established for customer deposits, unable to produce utility reports, numerous adjustments made to customer accounts with no support documentation.	No	Not corrected, reissued as Finding Number 2005-003.
2004-004	Expenditures Inconsistent check numbering, dating, and account posting, and unsupported payments.	No	Partially Corrected, issued in the Management Letter.
2004-005	Payroll Expenditures Lack of supporting time sheets, inconsistent check numbering and dating, miscalculated withholdings, duplicate ledger entries and unrecorded transactions.	No	Not corrected, reissued as Finding Number 2005-004.
2004-006	Vacation Leave Records Fiscal Officer did not keep any records of employee leave balances. Leave usage was recorded only on the time sheets.	No	Not corrected, reissued in the Management Letter.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-007	Council Monitoring of Financial Reports Village Council did not receive any financial reports during the audit period.	No	Not corrected, reissued as Finding Number 2005-005.
2004-008	Backup Procedures Backups of financial data were not performed daily and data was not stored off site.	No	Not corrected, issued in the Management Letter.
2004-009	Disaster Recovery Plan The Village did not have a written disaster recovery plan.	No	Not corrected, issued in the Management Letter.
2004-010	Security Administration Village did not establish a formal security administration procedure to protect unauthorized modifications, disclosure, disruption or use of data.	No	Not corrected, issued in the Management Letter.
2004-011	Monitoring Control Procedures No segregation of duties between Fiscal Officer's and Utility departments, mail is not date stamped, Fiscal Officer's Office is not properly secured.	No	Partially Corrected, reissued as Finding Number 2005-006.
2004-012	Village Policies No policies regarding frequent flyer miles, credit cards, cell phones, fraud and abuse and cash collection procedures.	No	Not corrected, issued in the Management Letter.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-013	Service Organization A SAS 70 report concerning controls was not obtained from North Coast Physicians who processes the billings of the Village's emergency medical service fees.	No	Not corrected, reissued as Finding Number 2005-007.
2004-014	Ohio Rev. Code Section 733.28(B) Fiscal Officer did not post all receipts and expenditures to the books, nor were receipts and expenditures posted timely or accurately to the correct funds and accounts.	No	Not corrected, reissued as Finding Number 2005-018.
2004-015	Ohio Rev. Code Section 5705.10 The Village had several funds with negative cash fund balances at year end.	No	Not corrected, reissued as Finding Number 2005-009.
2004-016	Ohio Rev. Code Section 149.351 Payroll journals, time sheets, supporting documentation for receipt, invoices for disbursements, and utility ledgers could not be located and were assumed to have been destroyed.	No	Not corrected, reissued as Finding Number 2005-017.
2004-017	Ohio Rev. Code Section 9.38 Certain building, park and zoning permits, utility, other charges for services, court fines, state distributions and various other daily receipts were not deposited for a period ranging between 3 to 69 days after initial receipt.	No	Not corrected, reissued as Finding Number 2005-015.
2004-018	Ohio Rev. Code Section 5705.41(D) During 2004 and 2003 the Village did not certify the availability of funds for its expenditures.	No	Not corrected, reissued as Finding Number 2005-014.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-019	Ohio Rev. Code Section 5705.36(A)(1) The Village failed to certify the total amount available from each fund to the county fiscal officer.	No	Not corrected, reissued as Finding Number 2005-012.
2004-020	Ohio Rev. Code Sections 5705.38(A) & 5705.41(B) The Village did not adopt a permanent appropriation measure for 2004 and 2003.	No	Not corrected, reissued as Finding Number 2005-013.
2004-021	Ohio Rev. Code Section 5705.28(A)(2) Village Council did not adopt an annual tax budget for 2004 and 2003.	No	Not corrected, reissued as Finding Number 2005-010.
2004-022	Ohio Rev. Code Section 5705.34 The Village did not pass resolutions authorizing the necessary tax levies for 2003.	No	Not corrected, reissued as Finding Number 2005-011.
2004-023	Ohio Rev. Code Section 135.14(O)(1) Village did not submit the adopted investment policy to the Auditor of State and the policy has not been signed by the required financial institutions.	No	Not corrected, issued in the Management Letter
2004-024	Ohio Rev. Code Section 135.22 Fiscal Officer did not attend and/or complete any annual continuing education programs provided by the Treasurer of State.	No	Not corrected, issued in the Management Letter
2004-025	Ohio Rev. Code Section 5705.09 During 2004 and 2003 the Village did not establish a separate fund for the Permissive Motor Vehicle Tax fund.	Yes	Finding No Longer Valid
2004-026	Ohio Rev. Code Section 117.38 The Village did not file or publish the notice of availability of the required reports for the 2004 and 2003 years.	No	Not corrected, reissued as Finding Number 2005-016.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-027	26 CFR Section 1.6041-1 The Fiscal Officer failed to prepare and file any Form 1099s for services rendered by contractors which exceeded the \$600 limit during 2004 and 2003.	No	Not corrected, reissued in the Management Letter.
2004-028	Ohio Rev. Code Section 731.17(A) Village Council passed numerous ordinances and resolutions as emergency measures. In addition, several ordinance or resolutions were enacted with the three readings occurring during the same meeting of Village Council.	No	Not corrected, issued in the Management Letter



Mary Taylor, CPA
Auditor of State

VILLAGE OF LAKEMORE

SUMMIT 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 2, 2009**