



Mary Taylor, CPA
Auditor of State

VILLAGE OF LAKEMORE
SUMMIT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	40

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Honorable Mayor and Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 26, 2010

This page intentionally left blank.



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 Honorable Mayor and Village Council:

We have audited the accompanying financial statements of Village of Lakemore, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this Village, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

Emergency medical service fees reported as charges for services in the Special Revenue Funds are processed by a service organization independent of the Village. The service organization did not provide us with information we requested regarding the design of proper operation of its internal controls. We were therefore unable to satisfy ourselves as to the proper processing of emergency medical services fees. Those fees represent 51% and 49% of revenues reported in Special Revenue Funds for the years ended December 31, 2008 and 2007, respectively.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been necessary had we been able to examine information regarding emergency medical service fees reported with the Special Revenue Funds, as described in the fourth preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Lakemore, Summit County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

During 2007, the Village changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

As discussed in Note 10 to the financial statements, the Village had a negative cash fund balance in the General Fund of \$293,888 and \$76,148 at December 31, 2008 and 2007, respectively. Management's plans in regard to this matter are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2010, 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.



Mary Taylor, CPA
Auditor of State

May 26, 2010

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$119,427	\$18,094		\$137,521
Municipal Income Tax	763,665			763,665
Intergovernmental	388,356	119,635		537,793
Special Assessments	18,747			18,747
Charges for Services	12,778	146,058		158,836
Fines, Licenses and Permits	64,218			64,218
Earnings on Investments	12,473			12,473
Miscellaneous	112,646	980		113,626
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	1,492,310	284,767		1,806,879
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	956,165	247,537		1,203,702
Public Health Services	377			377
Leisure Time Activities	28,299	3,798		32,097
Community Environment	33,922			33,922
Transportation	171,691	144,878		316,569
General Government	454,365	81		454,446
Debt Service:				
Redemption of Principal	55,124			55,124
Interest and Fiscal Charges	10,107			10,107
Capital Outlay				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,710,050	396,294		2,205,157
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(217,740)	(111,527)		(398,278)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances (Deficit), January 1	(76,148)	292,421	(\$59,359)	67,265
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances (Deficit), December 31	<u>(\$293,888)</u>	<u>\$180,894</u>	<u>(\$59,359)</u>	<u>(\$1,746)</u>
	<hr/>	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$744,907
Miscellaneous	566
	<u>745,473</u>
Operating Cash Disbursements:	
Personal Services	146,161
Employee Fringe Benefits	50,069
Contractual Services	157,238
Supplies and Materials	97,693
Other	410,465
	<u>861,626</u>
Total Operating Cash Disbursements	<u>861,626</u>
Operating Loss	<u>(116,153)</u>
Non-Operating Cash Receipts:	
Earnings on Investments	312
Miscellaneous Receipts	655
	<u>967</u>
Total Non-Operating Cash Receipts	<u>967</u>
Net Receipts (Under) Disbursements	(115,186)
Fund Cash Balances, January 1	<u>385,966</u>
Fund Cash Balances, December 31	<u>\$270,780</u>

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

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Local Taxes	\$110,799	\$20,333		\$131,132
Municipal Income Tax	801,982			801,982
Intergovernmental	282,065	115,851		397,916
Special Assessments	24,327			24,327
Charges for Services	21,469	132,160		153,629
Fines, Licenses and Permits	77,633	983		78,616
Earnings on Investments	57,743	437		58,180
Miscellaneous	185,679	365		186,044
Total Cash Receipts	1,561,697	270,129		1,831,826
Cash Disbursements:				
Current:				
Security of Persons and Property	909,992	259,689		1,169,681
Public Health Services	495			495
Leisure Time Activities	38,079			38,079
Community Environment	47,333			47,333
Transportation	424,341			424,341
General Government	403,900			403,900
Debt Service:				
Redemption of Principal	52,340			52,340
Interest and Fiscal Charges	12,890			12,890
Capital Outlay			\$182,530	182,530
Total Cash Disbursements	1,889,370	259,689	182,530	2,331,589
Total Receipts Over/(Under) Disbursements	(327,673)	10,440	(182,530)	(499,763)
Other Financing Receipts:				
Sale of Fixed Assets	13,761			13,761
Total Other Financing Receipts	13,761			13,761
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(313,912)	10,440	(182,530)	(486,002)
Fund Cash Balances (Deficit), January 1	237,764	281,981	(\$59,359)	710,181
Fund Cash Balances (Deficit), December 31	(\$76,148)	\$292,421	(\$59,359)	\$224,179

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

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise
Operating Cash Receipts:	
Intergovernmental	\$56,868
Charges for Services	715,186
Miscellaneous	2,578
	774,632
Operating Cash Disbursements:	
Personal Services	150,153
Employee Fringe Benefits	46,128
Contractual Services	162,232
Supplies and Materials	140,741
Other	360,537
	859,791
Operating Loss	(85,159)
Non-Operating Cash Receipts:	
Earnings on Investments	107
	107
Net Receipts (Under) Disbursements	(85,052)
Fund Cash Balances, January 1	471,019
Fund Cash Balances, December 31	\$385,966

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

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lakemore, Summit County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, trash collection, park operations, emergency medical services, police and fire protection services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests in an overnight repurchase agreement through a local bank. The investments in the repurchase agreement are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds (Continued)

Emergency Medical Services Ambulance Fund – This fund receives charges for services for emergency medical and ambulance services to residents.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay note debt. The Village had the following significant Debt Service Fund:

Police Facility Note – This fund receives local government monies, from the General Fund, to repay the note debt.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Improvement Fund – This fund receives transfers from the general fund to purchase capital equipment for various departments of the Village.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control for the General Fund and fund and function level of control over all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2008	2007
Demand deposits	(\$133,319)	(\$169,855)
Repurchase agreement	230,000	780,000
Total deposits and investments	\$96,681	\$610,145

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

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity and Noncompliance

The Village did not maintain accounting records of budgetary activity, nor did they comply with other laws which the Village deems material. As a result, the following noncompliance citations have been issued:

- Contrary to Ohio Rev. Code Section 149.351, the Village was unable to provide certain records during the audit because they had been lost or destroyed.
- Contrary to Ohio Rev. Code Section 5705.10 (H), the Village had negative fund balances at both December 31, 2008 and 2007.
- Contrary to Ohio Rev. Code Section 5705.34, the Village did not pass a resolution authorizing the necessary tax levies and to certify the levies to the County Fiscal Officer.
- Contrary to Ohio Rev. Code Section 5705.36(A), the Village did not certify to the County Fiscal Officer the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year for the years 2008 and 2007.
- Contrary to Ohio Rev. Code Section 5705.38(A), 5705.38(C), 5705.41(B), the Village did not adopt a permanent appropriation measure for the years 2008 and 2007, until April 7, and April 23, respectively, without passing a temporary appropriation resolution. The Village did not adopt appropriations at the minimum legal level of control. In addition, expenditures exceeded appropriations in several funds for both years.
- Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded total estimated fund resources in one fund each year.
- Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify any expenditure prior to the financial obligation.
- Contrary to Ohio Rev. Code Section 117.38, the Village did not file their annual report within 60 days of year end and did not publish a notice that the annual report was available for review for 2007.
- Contrary to Ohio Rev. Code 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.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity and Noncompliance

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,677,743	\$1,492,310	(\$185,433)
Special Revenue	201,594	284,767	83,173
Capital Projects	98,500	29,802	(68,698)
Enterprise	1,663,201	746,440	(916,761)
Fiduciary	24,641		(24,641)
Total	\$3,665,679	\$2,553,319	(\$1,112,360)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,571,747	\$1,710,050	(\$138,303)
Special Revenue	543,832	396,294	147,538
Capital Projects	120,000	98,813	21,187
Enterprise	855,900	861,626	(5,726)
Total	\$3,091,479	\$3,066,783	\$24,696

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,668,251	\$1,575,458	(\$92,793)
Special Revenue	201,594	270,129	68,535
Capital Projects	98,500		(98,500)
Enterprise	1,663,201	774,739	(888,462)
Fiduciary	23,770		(23,770)
Total	\$3,655,316	\$2,620,326	(\$1,034,990)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,480,000	\$1,889,370	(\$409,370)
Special Revenue	456,132	259,689	196,443
Capital Projects	175,000	182,530	(7,530)
Enterprise	794,441	859,791	(65,350)
Total	\$2,905,573	\$3,191,380	(\$285,807)

Actual receipts and budgetary expenditures above include audit adjustments.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax

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

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. 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 withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
General Obligation Loan	\$150,979	5.25%

The General Obligation Loan relates to a bank loan obtained to construct a police facility. The original amount of this loan was \$500,000. The loan will be repaid in semiannual installments of \$32,615 including interest, over 10 years. The General Obligation Loan is collateralized by the Village's taxing authority.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Loan
2009	\$65,230
2010	65,230
2011	32,615
Total	\$163,075

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2008 and 2007, OPERS members contributed 9% and 9%, respectively, of their gross salaries and the Village contributed an amount of 14% and 13.85%, plus 1% and .5% of the employee share, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. Contingent Liabilities

The Village is a defendant in a lawsuit. Although management cannot presently determine the outcome of the suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor.

10. Fiscal Distress

As of December 31, 2008, the General Fund had a negative cash fund balance of \$293,888. It is uncertain how the Village will both eliminate the negative cash fund balance and continue to provide for general operating needs of the Village. Furthermore, the estimated revenues are not expected to be sufficient to offset budgeted expenditures and minimize the negative cash fund balance in the General Fund during 2009.

Management has developed a plan to scrutinize the annual budget and to monitor General Fund expenses on a more regular basis.

11. Subsequent Events

On January 20, 2009, the Village authorized the purchase of a Pierce Contender fire truck for an amount not to exceed \$275,000.

On May 18, 2009, the Village authorized to contract with Springfield Township to provide police services.

This page intentionally left blank.



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 Village of Lakemore, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 26, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. In addition, we noted the General Fund had negative cash balances. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this Village, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Except for a restriction on the scope of our audit related to emergency medical service fee charges for services revenue reported in the Special Revenue Funds, 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 2008-007 through 2008-013, 2008-022, and 2008-023 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. Of the significant deficiencies described above, we believe findings 2008-007 through 2008-012 and 2008-023 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated May 26, 2010.

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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-006 and 2008-014 through 2008-023.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated May 26, 2010.

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 the management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 26, 2010

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 and 2007**

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

FINDING NUMBER 2008-001

Material Noncompliance

Finding for Recovery

Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual, Revised September 30, 2003, states, in part, Village employees required staying overnight outside of the Village on official business will be reimbursed for meals not more than \$30.00 per day when costs of meals are itemized and accompanied by receipts; the amount of the expenditure may exceed the cap with prior approval by the Village Mayor; Village employees required to attend a meeting where they leave and return the same day will be reimbursed for one meal not more than \$15.00 when the cost of meal is itemized and accompanied by a receipt; the amount of expenditure may exceed the cap with prior approval by the Village Mayor; no alcoholic beverages will be reimbursed by the Village; the Village of Lakemore will reimburse employees for gratuities (15%) and appropriate taxes with proof of expenditures; gratuities in excess of 15% must have prior approval.

State ex rel. McClure v. Hagerman (1951), 155 Ohio St. 320 provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Auditor of State Bulletin 2003-005 states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During fiscal year 2008, the Village issued the following payments to Michael Kolomichuk, Mayor, in contravention of Village policy:

1. On February 20, 2008, check number 5869 in the amount of \$324.19 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$51.34 which was for a meal at a meeting not requiring an overnight stay that exceeded the \$15.00 cap by \$36.34; \$8.00 which was for alcohol; \$96.42 which was for a meal and a \$17 gratuity for a meeting not requiring staying overnight and these amounts were not on an itemized receipt.
2. On March 4, 2008, check number 5886 in the amount of \$100.00 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$84.63 which was for a meal and a \$15.37 gratuity for a meeting not requiring an overnight stay and these amounts were not on an itemized receipt.
3. On May 2, 2008, check number 6101 in the amount of \$511.72 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$48.50 which was for a meal at a meeting requiring an overnight stay and was not on an itemized receipt.

In addition, on April 18, 2008, check number 6002 in the amount of \$608.94 was issued authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor and made payable to cardmember services. Included in this payment was a \$508.94 credit card charge incurred by Michael Kolomichuk, Mayor, which was for a meal and a \$100 gratuity for a meeting not requiring an overnight stay and these amounts were not on an itemized receipt.

FINDING NUMBER 2008-001 (Continued)

Without appropriate supporting documentation it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Reimbursement for meals in excess of the \$15.00 cap for travel not requiring an overnight stay and the \$30.00 cap for travel requiring an overnight stay, un-itemized receipts, and alcohol are in direct noncompliance of Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual.

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael Kolomichuk, Mayor, in the amount of \$915 and in favor of the Village of Lakemore.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Therefore, because Richard Quay, Fiscal Officer, signed the improper payments, he and Western Surety Company, his bonding company, will be jointly and severally liable in the amount of \$915 to the extent that recovery is not obtained from Michael Kolomichuk.

Officials' Response: See Finding 2008-004.

FINDING NUMBER 2008-002

Material Noncompliance

Finding for Recovery Repaid Under Audit

Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual, Revised September 30, 2003, states, in part, Village employees required to attend a meeting where they leave and return the same day will be reimbursed for one meal not more than \$15.00 when the cost of meal is itemized and accompanied by a receipt; the amount of expenditure may exceed the cap with prior approval by the Village Mayor; the Village of Lakemore will reimburse employees for gratuities (15%) and appropriate taxes with proof of expenditures; gratuities in excess of 15% must have prior approval.

During fiscal year 2008, the Village issued the following payments to Richard K. Quay, Fiscal Officer, in contravention of Village policy:

1. On March 4, 2008, check number 5885 in the amount of \$40.92 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$36.92 which was for a meal and a \$4.00 gratuity for a meeting not requiring an overnight stay and these amounts were not on an itemized receipt.

FINDING NUMBER 2008-002 (Continued)

2. On March 14, 2008, check number 5896 in the amount of \$224.02 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$23.39 which was for three meals at a meeting not requiring an overnight stay. Since the policy only allows for one meal. Richard Quay was reimbursed over the cost of the other two meals which totaled \$14.47. \$12.00 which was for gratuity that exceeded the 15% cap of \$1.34 by \$10.66; \$118.55 which was for a meal at a meeting not requiring an overnight stay that exceeded the \$15.00 cap by \$103.55; and \$30.00 for gratuity that exceeded the 15% cap of \$2.25 by \$27.75.
3. On June 17, 2008, check number 6206 in the amount of \$100.00 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$87.00 which was for a meal and a \$13.00 gratuity for a meeting not requiring an overnight stay and these amounts were not on an itemized receipt.
4. On August 28, 2008, check number 6423 in the amount of \$59.75 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$44.75 which was for a meal and a \$15.00 gratuity for a meeting not requiring an overnight stay and these amounts were not on an itemized receipt.
5. On November 10, 2008, check number 6770 in the amount of \$79.00 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$13.38 which was for a meal and a \$4.00 gratuity for a meeting not requiring an overnight stay and these amounts were not on an itemized receipt.
6. On November 18, 2008, check number 6783 in the amount of \$95.60 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$42.60 which was for a meal and a \$10.00 gratuity for a meeting not requiring an overnight stay and these amounts were not on an itemized receipt.

Without appropriate supporting documentation it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Reimbursement for meals in excess of the \$15.00 cap for travel not requiring an overnight stay and un-itemized receipts are in direct noncompliance of Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Richard K. Quay, Fiscal Officer, in the amount of \$427 and in favor of the Village of Lakemore general fund.

Richard Quay repaid \$427 on January 21, 2010.

Officials' Response: See Finding 2008-004.

FINDING NUMBER 2008-003

Material Noncompliance

Finding for Recovery

Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual, Revised September 30, 2003, states, in part, no alcoholic beverages will be reimbursed by the Village.

State ex rel. McClure v. Hagerman (1951), 155 Ohio St. 320 provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. **Auditor of State Bulletin 2003-005** states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During fiscal year 2008, the Village issued the following payment to Marlene Hill, Council Member, in contravention of Village policy:

1. On August 28, 2008, check number 6427 in the amount of \$332.53 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$6.50 which was for alcohol.

Without appropriate supporting documentation it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Village’s finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Reimbursement for alcohol is in direct noncompliance of Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Marlene Hill, Council Member, in the amount of \$6 and in favor of the Village of Lakemore.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Therefore, because Richard Quay, Fiscal Officer, and Michael Kolomichuk, Mayor, signed the improper payment, they and Western Surety Company, Richard Quay’s bonding company, will be jointly and severally liable in the amount of \$6 to the extent that recovery is not obtained from Marlene Hill.

Officials’ Response: See Finding 2008-004.

FINDING NUMBER 2008-004

Material Noncompliance

Finding for Recovery

Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual, Revised September 30, 2003, states, in part, Village employees required to attend a meeting where they leave and return the same day will be reimbursed for one meal not more than \$15.00 when the cost of meal is itemized and accompanied by a receipt; the amount of expenditure may exceed the cap with prior approval by the Village Mayor; the Village of Lakemore will reimburse employees for gratuities (15%) and appropriate taxes with proof of expenditures; gratuities in excess of 15% must have prior approval.

During fiscal year 2008, the Village issued the following payments to Chad Pryor, Village Administrator, in contravention of Village policy:

1. On July 14, 2008, check number 6292 in the amount of \$151.39 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$151.39 for a meal at a meeting not requiring an overnight stay and the cost of the meal was not itemized.
2. On August 25, 2008, check number 6418 in the amount of \$65.67 was issued and authorized by Richard Quay, Fiscal Officer and Michael Kolomichuk, Mayor. Included in this payment was \$50.67 which was for a meal and a \$15 gratuity for a meeting not requiring an overnight stay and these amounts were not on an itemized receipt.

Without appropriate supporting documentation it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Reimbursement for meals not requiring an overnight stay with un-itemized receipts is in direct noncompliance of Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Chad Pryor, Village Administrator, in the amount of \$217 and in favor of the Village of Lakemore.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Therefore, because Richard Quay, Fiscal Officer, and Michael Kolomichuk, Mayor, signed the improper payment, they and Western Surety Company, Richard Quay's bonding company, will be jointly and severally liable in the amount of \$217 to the extent that recovery is not obtained from Chad Pryor.

Officials' Response: There was a discrepancy in the Auditor findings and the Village of Lakemore interpretation of the Policy on reimbursements. According to the Auditor, these expenses were "illegal". We disagree with this assessment. According to the Policy they were allowable due to the inclusion in 6.14-3 "The amount of expenditure in Section 6.14 A (1) (2) may exceed the cap with prior approval by the Village Mayor." The discrepancy has been corrected with Ordinance Number 1424-2010 which specifically defines what is allowable for food, travel and lodging and requires notification and approval of Council before the expenditure is incurred.

FINDING NUMBER 2008-004 (Continued)

Auditor of State Conclusion:

No evidence or indication of prior approval by the Village Mayor was offered up in support of these expenditures. Additionally, for those expenditures and reimbursements involving the purchase of alcohol, Auditor of State Bulletin 2003-005 states that the "Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect."

FINDING NUMBER 2008-005

Material Noncompliance

Finding for Recovery

Although Michael Fox's hours actually worked and his hourly pay rate, appear to have been entered into the payroll system properly, the payroll system incorrectly calculated his 2007 actual gross payroll to be \$40,980.16; however, it should have been \$40,561.89, resulting in an overpayment of \$418.27.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael Fox in the amount of \$418 in favor of the Village of Lakemore general fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Therefore, Richard Quay, Fiscal Officer, and Western Surety Company, his bonding company, will be jointly and severally liable in the amount of \$418 to the extent that recovery is not obtained from Michael Fox.

Officials' Response: See finding 2008-006.

FINDING NUMBER 2008-006

Material Noncompliance

Finding for Recovery

Although Mark Dodez's hours actually worked and his hourly pay rate, appear to have been entered into the payroll system properly, the payroll system incorrectly calculated his 2007 actual gross payroll to be \$37,623.02; however, it should have been \$37,291.17, resulting in an overpayment of \$331.85.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mark Dodez in the amount of \$331 in favor of the Village of Lakemore general fund.

FINDING NUMBER 2008-006 (Continued)

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Therefore, Richard Quay, Fiscal Officer, and Western Surety Company, his bonding company, will be jointly and severally liable in the amount of \$331 to the extent that recovery is not obtained from Mark Dodez.

Officials’ Response: The finding for payroll recovery for Mark Dodez and Mike Fox was due to an error in the system. PayCor was adding an additional hour, at the regular pay rate, to each payroll. This was discovered and corrected in 2008. There have been no further problems and we have since left PayCor and started payroll through the UAN system.

FINDING NUMBER 2008-007

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 difference between the balance on the bank statement(s) and the cash and investment balances according to the entity’s records.

For each month of 2007 and 2008, 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 unauditible by the Auditor of State on July 20, 2009. Subsequently, the Fiscal Officer reconciled the bank balances to the balances reflected with the Village’s accounting records for each month of 2007 and 2008, resulting in the following net decreases to the cash and investment balances reflected in the Village’s accounting records:

Balance at:	Original Cash & Investment <u>Balances</u>	Revised Cash & Investment <u>Balances</u>	Net <u>Decreases</u>
December 31, 2008	\$2,607,847	\$96,681	(\$2,511,166)
December 31, 2007	946,570	610,145	(336,425)

The Fiscal Officer arbitrarily increased fund balances in January, 2008 by a total of \$2,170,600 to avoid negative fund balances.

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.

FINDING NUMBER 2008-007 (Continued)

The Fiscal Officer 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. Any unreconciled differences should be resolved as quickly as possible and should not be carried forward month-to-month. All reconciling items should be appropriately documented.

Officials' Response: During the time period it was impossible to perform full reconciliations without having true fund balances. The records have been rebuilt and we now have current fund balances. The reconciliations are current through May 2010, and Council is informed of the balances at every meeting.

FINDING NUMBER 2008-008

Material Weakness

Financial Reports

Council did not receive or review any financial reports of the Village's financial activity during the audit period. The absence of review and approval of monthly reports demonstrates a lack of fiscal monitoring by Council. The Village continued to operate on a deteriorating fund balance and unreconciled cash balance without knowing the accurate fund balances and financial condition of the Village. As a result, numerous errors occurred and were not detected. For 2008, 18 audit adjustments were posted to the financial statements to correct these errors totaling \$347,014, and for 2007, 26 audit adjustments were posted to the financial statements for errors totaling \$640,626. (See finding number 2008-009). Additionally, the cash fund balances effect of these adjustments were posted to the Village's books. These errors compromise management's ability to effectively monitor the finances and make appropriate decisions for the Village.

Council should require 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: As stated previously, all records are up to date and Council is presented all financial information, cash and fund balances on a regular basis. These are presented in the minutes under the Fiscal Officer Report.

FINDING NUMBER 2008-009

Material Weakness

Classification of Receipts and Expenditures

Numerous posting errors were noted in the receipt and expenditure ledger activity. Receipts and expenditures were posted to incorrect funds and/or accounts due to delays in recording transactions in a timely manner and lack of maintaining sufficient supporting documentation. Additionally, receipt numbers which were hand-written on the receipt did not always match receipt numbers recorded on the Village's receipt ledger. The following is a summary of posting errors:

- eight reclassification adjustments totaling \$195,734 and 16 adjustments totaling \$287,677, for 2008 and 2007 respectively, of revenues and expenditures/expenses which were originally posted to incorrect line items.

FINDING NUMBER 2008-009 (Continued)

- \$132,850 and \$340,773 of expenditures/expenses in 2008 and 2007 respectively, were originally posted as transfers or advances out rather than the correct expenditure line item.
- two adjustments totaling \$9,215 and two adjustments totaling \$6,088 for 2008 and 2007 respectively, for amounts originally posted to an incorrect fund.

Furthermore, after being declared unauditible on July 20, 2009, the Fiscal Officer reconciled the bank balances to the balances reflected in the Village's accounting records for each month of 2007 and 2008. (See finding number 2008-007). However, he failed to classify net reconciling adjustments to revenues and expenditures of \$21,262 and \$25,413, respectively for 2008 and (\$41,701) and \$7,084, respectively for 2007. Instead of posting each adjustment to the appropriate revenue/expenditure account, the Fiscal Officer posted them as increases/decreases to the Village's cash balances.

All amounts noted above were adjusted to the financial statements. Additionally, the cash fund balance effect of these adjustments were posted to the Village's books.

The Fiscal Officer should exercise due care in recording receipts and expenditures on the Village's accounting system. The Fiscal Officer should review the Uniform Accounting Network (UAN) manual for the proper account codes and fund descriptions and review entries for accuracy at least at month end. These procedures will help ensure receipts and expenditures are accurately reported in the Village's financial statements.

Officials' Response: These "mistakes" were a result of not having all the information needed to correct the appropriation lines. I could only post by what we've had established and we did not have all of the correct account codes created. This should be corrected and postings will be in the correct accounts.

FINDING NUMBER 2008-010

Material Weakness

Utility Operations

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

- 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 New Balance Listing – By Account", which shows the new calculated utility bill amounts for water, sewer and trash plus any previous amount that has not been paid, was not made available for the 2nd quarter of 2008. Other reports were used to satisfy the water, sewer and trash amounts; however, those reports did not contain information regarding any previous balance.

The "Utility System New Balance Listing – By Account" report should be maintained so that documentation exists to support any unpaid previous billings to be reflected in the current billing to the customer and to help ensure there are no material errors in the financial statements.

- The "Utility System Monthly Cash Receipts Journal – By Account," which shows daily utility payments by customer account was not available for February, March, May, and June 2008.

FINDING NUMBER 2008-010 (Continued)

The Utility System Monthly Cash Receipts Journal – By Account,” should be maintained so that documentation exists to support monthly customer payments and to help ensure there are no material errors 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 on 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.

- The Utility Clerk reviews and maintains the Utility Billing Delinquent Lists; however, the lists are not submitted to Village Council for their review.

The Utility Billing Delinquent List should be submitted to Village Council for approval and delinquencies should be monitored and appropriately followed up with customers.

- The Village, as a matter of practice, waives the \$50 water deposit fee for customers who already own property within the Village limits. However, the Village Council has not formally approved this practice.

The Village Council should approve a policy or incorporate the waiving of the \$50 water deposit fee for customers who already own property within the Village limits into the Water and Sewer rates ordinance approved by Village Council. This will help to alleviate any confusion concerning what customers can or cannot have the fee waived.

Officials’ Response: There are and have been many control problems with the Utility Department. Meter reading books are now kept in the Fiscal Officer/Utility Clerk office. They are used to record actual consumption and will be made ready when needed.

Previous balances outstanding are recorded in the system and will be turned in to the Fiscal Officer on a quarterly billing basis. These amounts will be made available to the Auditors upon request.

FINDING NUMBER 2008-010 (Continued)

Beginning in 2010 a pre-numbered receipt journal shall be used in the Utility Office for collections of daily payments made. The Fiscal Officer shall review the receipt book and compare to the transactions in the utility system to ensure that payments are received and posted. The Utility Clerk provides a monthly report of the deposits made, by the Fiscal Officer, which the Fiscal Officer reconciles to UAN and the bank statement and signs off on.

There is no current policy on the issue of non-cash adjustments. This policy shall be created and forwarded to the Auditor of State's Office. All non-cash adjustments must currently be signed off on by the Fiscal Officer. The Utility Clerk will provide a statement showing all non-cash adjustments which shall be reviewed by the Fiscal Officer on a monthly basis.

A standard form shall be created, as well as a policy for contracts that will require only sewer or water services.

The lists of delinquent accounts are presented to the Fiscal Officer and Council liaison to the Finance Department on a monthly basis.

There is no policy on waiver of deposits. Currently, the Fiscal Officer must sign off on all waivers. A policy shall be established and forwarded to the Auditor of State's Office.

FINDING NUMBER 2008-011

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. This could allow for money to be lost, misplaced, or unaccounted for which could be material to the financial statements.

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 mail is brought to the Fiscal Officer, and distributed to the Department Heads. All deposits are prepared by the Utility Clerk, given to the Fiscal Officer for verification, and then deposited by the Fiscal Officer. Receipts are reconciled by the Fiscal Officer on a monthly basis.

FINDING NUMBER 2008-012

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 authorized or completely and accurately processed in accordance with the contract.

We recommend the Village help assure the completeness, accuracy and eligibility of emergency medical service fees processed by its third-party administrator, Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified *Type Two Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the Village with reasonable assurance that emergency medical service fees transactions conform to the contract.

We recommend the Village require a Type Two SAS 70 report in its contract with the third-party administrator. The Village should review the SAS 70 report timely. The report should follow the American Institute of Certified Public Accountants' standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Village with a Type Two SAS 70 report, we recommend the Village contract with a third-party administrator that will provide this report. As an alternative to a SAS 70 Report, the Village may monitor fees its administrator processes.

The Village can monitor these fees by obtaining reports of processed fees, selecting approved fees from the list, and then re-determining:

- The eligibility of the fee billed.
- The eligibility of the service.
- Whether the amount received was in accordance with the billing agreement, net of adjustments.

This normally requires assistance from someone with sufficient understanding of EMS billing.

Officials' Response: The Village has changed to Life Force Management for all EMS billing in January 2010. They are able to provide all the necessary reports to satisfy this finding.

FINDING NUMBER 2008-013

Significant Deficiency

Income Tax Receipts

During fiscal year 2007, the Fiscal Officer recorded 14 out of 24 income tax receipts at the net distribution amount rather than the gross distribution amount resulting in an understatement of \$17,493. During fiscal year 2008, the Fiscal Officer recorded 1 out of 24 income tax receipts at the net distribution amount rather than the gross distribution amount resulting in an understatement of \$119. This could result in a material misstatement of the financial statements. The 2007 difference of \$17,493 was posted to 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.

FINDING NUMBER 2008-013 (Continued)

Officials' Response: The Income Tax receipts are now entered at the gross amount and a charge is entered into the UAN system for the retainer from RITA as income tax collection fees (account code 1000-740-344-0000).

FINDING NUMBER 2008-014

Material Noncompliance

Ohio Rev. Code Section 118.021 provides that a municipal corporation may undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency. The review will be initiated by a written request to the Auditor of State from the mayor of the municipal corporation or the presiding officer of the legislative authority of the municipal corporation when authorized by a majority of the members of the legislative authority.

Pursuant to **Ohio Rev. Code Section 118.022(A)(24)**, the following is one of the conditions that are grounds for a **fiscal watch**:

"The aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet that deficit, exceeded one-twelfth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than transfers from the general fund."

As of December 31, 2008, after audit adjustments, the Village had deficit balances of \$630,895. The remaining funds are restricted as to use and would require a court order to transfer funds. (See Ohio Rev. Code Sections 5705.15 and 5705.16.) The total deficit of \$630,895 is greater than one-twelfth of the total of the general fund budget for 2008 which was \$1,677,743.

Pursuant to **Ohio Rev. Code Section 118.03(A)(5)**, the following is one of the conditions that can serve as grounds for a **fiscal emergency**:

"The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund."

As of December 31, 2008 the Village had deficit balances of \$630,895. The remaining special revenue funds were not available for transfer per Ohio Rev. Code Section 5705.14. The total deficit equals 42.27% of the General Fund receipts for 2008 and 37.69% of General Fund Total Estimated Resources for 2008.

The Village should undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency.

Officials' Response: The Village has made improvements in fund balances. The EMS fund and Water Fund deficits are decreasing and the Water Fund should be positive by 3rd quarter 2010. Even with these gains, the General Fund deficit is still increasing, though at a much reduced rate. The Village has overspent going back to 2001, verified, and it is speculated that it has been going on longer than that. The deficit in the General Fund is due to overspending, posting errors and a diminishing tax base.

FINDING NUMBER 2008-015

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.

At December 31, 2008, we noted the following negative cash fund balances:

<u>Fund</u>	<u>Amount</u>
General Fund	(\$293,888)
EMS Fund	(98,502)
Note of Police Facility Fund	(65,229)
Capital Improvement Fund	(4,440)
Water Fund	(168,836)

At December 31, 2007, we noted the following negative cash fund balances:

<u>Fund</u>	<u>Amount</u>
General Fund	(\$76,148)
Police Disability & Pension Fund	(6,772)
EMS Fund	(52,284)
Note on Police Facility Fund	(65,229)
Water Fund	(163,977)

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: The Note on Police Facility Fund was not properly funded when established. As a result, it has always carried a negative balance. This resulted in the need to pay on the building from the General Fund. The Police Disability and Pension Fund deficit has been reduced to a negative balance of (3,447.89). The EMS Fund is at (109,069.44) and is improving now that the change of billing providers has been completed. The Water Fund balance has been reduced to (19,229.58) and will be positive by 3rd quarter 2010 (projected). Expenditures are closely monitored and reported to Council. The next step we must undertake is to alleviate and correct the General Fund which now has a deficit balance of (800,134.98).

FINDING NUMBER 2008-016

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 in each 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 2008 or 2007. 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 2008 and 2007 fiscal years 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: The Village certifies tax levies through the County Fiscal Officer on a yearly basis. We will begin formally approving these certifications through Resolution of Council.

FINDING NUMBER 2008-017

Material Noncompliance

Ohio Rev. Code Section 5705.36(A) 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.

For 2008 and 2007, 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. In addition, at December 31, 2008, we noted appropriations exceeded actual revenues plus beginning unencumbered cash balance by \$18,728 in the Special Revenue – Cops Fast fund.

Officials' Response: The Village certifies total amounts available for expenditure through the County Fiscal Officer. We will work to ensure that these balances do not exceed projected revenues for the operating year. In 2010, we are currently positive in expenditures over revenues as of 06/01/2010. We have made strides in correcting overspending. Total appropriations for 2010 were reduced to 2.45 million.

FINDING NUMBER 2008-018

Material Noncompliance

Ohio Rev. Code Section 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure should 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.

The Village did not adopt a permanent appropriation measure for 2008 until April 7, 2008. The Village did not adopt a permanent appropriation measure for 2007 until April 23, 2007. As a result, all expenditures made prior to adopting appropriations during 2008 and 2007 could be considered not legally expended. The Village should adopt a permanent appropriation measure by April 1st each year and temporary appropriations prior to the beginning of the year.

In addition, for the 2008 and 2007 fiscal years, the Village did not appropriate to the minimum legal level of control for the Special Revenue, Capital Projects and Enterprise fund types.

At December 31, 2007, actual expenditures/expenses exceeded appropriations in the following fund/function/objects:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures/ Expenses</u>	<u>Variance</u>
General			
Security of Persons & Property			
Police Department	\$550,000	\$586,491	\$36,491
Fire Department	70,000	125,283	55,283
General Government			
Administrator	12,000	12,087	87
Special Revenue Funds			
Emergency Management Services (EMS)	150,000	230,807	80,807
Capital Projects Fund			
Capital Improvement	175,000	182,530	7,530

At December 31, 2008, actual expenditures/expenses exceeded appropriations in the following fund/function/objects:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures/ Expenses</u>	<u>Variance</u>
General			
Security of Persons & Property			
Police Department	\$555,932	\$670,255	\$114,323
Fire Department	181,996	186,665	4,669
General Government			
Administrator	17,025	18,502	1,477
Finance	80,880	84,134	3,254

FINDING NUMBER 2008-018 (Continued)

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

Officials' Response: Appropriations were passed on March 16 in 2009 and on February 1 in 2010. These appropriations will not be increased for any reason in 2010. This is the lowest budget amount in over a decade and will be adhered to without question. Council has been made aware of all previous overspending and receives reports which will allow them to closely follow this budget.

FINDING NUMBER 2008-019

Material Noncompliance

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

As of December 31, 2008, total appropriations exceeded total estimated resources in the Cops Fast Grant Fund by \$15,000.

As of December 31, 2007, total appropriations exceeded total estimated resources in the Street Construction, Maintenance, and Repair Fund by \$18,728.

In addition, the Village did not obtain "Does Not Exceed" Certificates from the County Fiscal Officer.

Village Council should monitor appropriations versus estimated resources to avoid overspending. In addition, the Fiscal Officer should obtain "Does Not Exceed" Certificates from the County Fiscal Officer to ensure compliance with the Ohio Revised Code.

Officials' Response: This has been eliminated and all appropriations will be under our total estimated resources as certified by the County Fiscal Officer.

FINDING NUMBER 2008-020

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.

FINDING NUMBER 2008-020 (Continued)

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 2008 and 2007, 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).

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 prior to the Village incurring 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: A policy has been enacted through Ordinance Number 1425-2010 that ALL purchase must be made by Purchase Order. These Purchase Orders are verified by Council at their meetings. An entire policy requiring Purchase Order Requisitions, Purchase Orders and Blanket Certificates is outlined in the above stated Ordinance. This Ordinance was given to the Auditor’s to ensure that it fulfilled the needed requirements.

No purchases are to be made without a Purchase Order or Blanket Certificate acknowledging that the Fiscal Officer has verified the Funds are available.

FINDING NUMBER 2008-021

Material Noncompliance

Ohio Rev. 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.

The Village did not file or publish the notice of availability of the required reports for fiscal year 2007. 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: The UAN system is fully implemented and up to date. This will allow the Village to accurately file all annual reports with the Auditor of State's office well within the required sixty (60) days. This was filed for the year ended December 31, 2009.

FINDING NUMBER 2008-022

Material Noncompliance/Significant Deficiency

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.

Certain documents, including but not limited to, utility system new balance listing by account report, utility system monthly cash receipt reports, original meter reading books, original certificates of estimated resources, depository agreements, vendor invoices, and EMS reports could not be located and are assumed to have been destroyed without the appropriate reviews. Alternate procedures were performed to satisfy the account balances. However, missing documents could lead to misstatement of the financial statements.

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: The Village has created a Records Retention Committee, chaired by Council Person Troy Bradfield. We are in the process of creating a Policy on records retention and backing up and storing previous records. The policy that is created will satisfy all these criteria and be forwarded to the Auditor of State.

FINDING NUMBER 2008-023

Material Noncompliance/Material Weakness

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 2008-023 (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 2008 and 2007, 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 utility billing records outlined above or capital asset records.

Using the aforementioned accounting records will help 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. The Village should maintain all records required by the Ohio Administrative Code in order to be in compliance.

Officials' Response: The Village has made the accounting corrections required and is up to date on reporting and reconciliations. We are currently working on records retention and should have policies in place in 2010 to assure that records are kept properly. Council is updated at every meeting on the financial status of the Village. The Fiscal Officer has moved to the UAN payroll system and that system will be used to record employee leave balances. This change will also correct numerical sequence issues in the warrants. We are also working on an inventory of all Village Capital Assets.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Cash Reconciliation Bank reconciliations were not performed monthly	No	Not corrected, reissued as Finding Number 2008-007.
2006-002	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 2008-009.
2006-003	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 2008-010.
2006-004	Payroll Expenditures Lack of supporting time sheets, inconsistent check numbering and dating, miscalculated withholdings, duplicate ledger entries and unrecorded transactions.	No	Partially corrected, issued a Management Letter comment for calculation of withholdings.
2006-005	Council Monitoring of Financial Reports Village Council did not receive or approve any financial reports during the audit period.	No	Not corrected, reissued as Finding Number 2008-008.
2006-006	Segregation of Duties No segregation of duties between Fiscal Officer and Utility departments.	No	Partially Corrected, reissued as Finding Number 2008-011.
2006-007	Service Organization No SAS-70 report was obtained for EMS billings.	No	Not corrected, reissued as Finding 2008-012.
2006-008	Income Tax Receipts Income tax receipts were recorded at net rather than gross amounts.	No	Not corrected, reissued as Finding Number 2008-013.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-009	Ohio Rev. Code Section 5705.10(H) The Village had several funds with negative cash fund balances during the year and at year end.	No	Not corrected, reissued as Finding Number 2008-015.
2006-010	Ohio Rev. Code Section 5705.28(A)(2) Village Council did not adopt an annual tax budget for 2005.	Yes	Finding no longer valid.
2006-011	Ohio Rev. Code Section 5705.34 The Village did not pass resolutions authorizing the necessary tax levies.	No	Not corrected, reissued as Finding Number 2008-016.
2006-012	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 2008-017.
2006-013	Ohio Rev. Code Sections 5705.38(A)(C) & 5705.41(B) The Village did not adopt a permanent appropriation measure.	No	Partially corrected, reissued as Finding Number 2008-018.
2006-014	Ohio Rev. Code Section 5705.39 Total Appropriations exceeded total Estimated Resources in several funds.	No	Partially corrected, reissued as Finding Number 2008-019.
2006-015	Ohio Rev. Code Section 5705.41(D) The Village did not certify the availability of funds for its expenditures.	No	Not corrected, reissued as Finding Number 2008-020.
2006-016	Ohio Rev. Code Section 9.38 Certain fines, licenses, and permits receipts were not deposited for a period ranging between 4 to 17 days after initial receipt.	Yes	Finding no longer valid.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-017	Ohio Rev. Code Section 117.38 The Village did not file or publish the notice of availability of the required reports for 2006.	No	Not corrected, reissued as Finding Number 2008-021.
2006-018	Ohio Rev. Code Section 149.351 Payroll journals, time sheets, supporting documentation for receipt, invoices for disbursements, and utility ledgers could not be located.	No	Not corrected, reissued as Finding Number 2008-022.
2006-019	Ohio Rev. Code Section 733.28 Fiscal Officer did not accurately post all receipts and expenditures to the accounting system.	No	Not corrected, reissued as Finding Number 2008-023.
2006-020	26 U.S.C. Section 3102(a) The Fiscal Officer did not withhold and submit medicare taxes from certain employees and elected officials.	Yes	Finding no longer valid.



Mary Taylor, CPA
Auditor of State

VILLAGE OF LAKEMORE

ASHLAND 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
JUNE 29, 2010**