



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF TIMBERLAKE  
LAKE COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## Report on the Financial Statements, Internal Control, and Compliance

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

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Timberlake, Lake County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

### ***Internal Control Over Financial Reporting***

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2018-004, 2018-006, 2018-007, 2018-010, 2018-011 and 2018-013 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

### ***Compliance and Other Matters***

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2018-001 through 2018-003, 2018-005 through 2018-010 and 2018-012 through 2018-014.

***Village's Response to Findings***

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.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 31, 2020

**Village of Timberlake, Ohio**  
*Lake County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$177,348	\$0	\$0	\$177,348
Municipal Income Tax	118,638	0	0	118,638
Intergovernmental	77,091	31,130	0	108,221
Fines, Licenses and Permits	25,811	2,499	0	28,310
Earnings on Investments	3,829	55	119	4,003
Miscellaneous	35,290	0	0	35,290
<i>Total Cash Receipts</i>	<u>438,007</u>	<u>33,684</u>	<u>119</u>	<u>471,810</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	232,147	360	0	232,507
Public Health Services	3,380	0	0	3,380
Leisure Time Activities	564	0	0	564
Basic Utility Services	24,359	0	0	24,359
Transportation	0	13,982	0	13,982
General Government	186,170	14,770	0	200,940
Capital Outlay	0	0	15,000	15,000
Debt Service:				
Principal Retirement	0	0	36,831	36,831
Interest and Fiscal Charges	0	0	12,146	12,146
<i>Total Cash Disbursements</i>	<u>446,620</u>	<u>29,112</u>	<u>63,977</u>	<u>539,709</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,613)</u>	<u>4,572</u>	<u>(63,858)</u>	<u>(67,899)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(13,613)</u>	<u>4,572</u>	<u>(58,858)</u>	<u>(67,899)</u>
<i>Fund Cash Balances, January 1</i>	<u>205,737</u>	<u>16,574</u>	<u>(11,821)</u>	<u>210,490</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	27,810	0	27,810
Assigned	17,925	0	0	17,925
Unassigned (Deficit)	174,199	(6,664)	(70,679)	96,856
<i>Fund Cash Balances (Deficit), December 31</i>	<u><u>\$192,124</u></u>	<u><u>\$21,146</u></u>	<u><u>(\$70,679)</u></u>	<u><u>\$142,591</u></u>

*See accompanying notes to the financial statements*

**Village of Timberlake, Ohio**  
*Lake County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2018*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$6,300	\$0	\$6,300
Hall Rental Security Fund	0	2,300	2,300
<i>Total Operating Cash Receipts</i>	<u>6,300</u>	<u>2,300</u>	<u>8,600</u>
<b>Operating Cash Disbursements</b>			
Contractual Services	17,027	0	17,027
Hall Rental Security Fund	0	3,625	3,625
<i>Total Operating Cash Disbursements</i>	<u>17,027</u>	<u>3,625</u>	<u>20,652</u>
<i>Operating Income (Loss)</i>	(10,727)	(1,325)	(12,052)
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments	89	0	89
Principal Retirement	(5,037)	0	(5,037)
Interest and Other Fiscal Charges	(2,050)	0	(2,050)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(6,998)</u>	<u>0</u>	<u>(6,998)</u>
<i>Net Change in Fund Cash Balances</i>	(17,725)	(1,325)	(19,050)
<i>Fund Cash Balances, January 1</i>	<u>14,441</u>	<u>1,794</u>	<u>16,235</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$3,284)</u></u>	<u><u>\$469</u></u>	<u><u>(\$2,815)</u></u>

*See accompanying notes to the financial statements*



**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

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

***Public Entity Risk Pool and Jointly Governed Organization***

The Village participates in the Ohio Plan Risk Management, Inc., public entity risk pool and the Northeast Ohio Public Energy Council (NOPEC), jointly governed organization. Notes 6 and 10 to the financial statements provide additional information for these entities.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue fund:

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

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

***Capital Road Project*** This fund accounts for various revenues which are restricted for road projects.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

**Sanitary Sewer Maintenance** This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for street opening cash bond money and Village Hall rental security deposits.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Deposits and Investments***

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

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

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$377,506	\$438,007	\$60,501
Special Revenue	39,300	33,684	(5,616)
Capital Projects	51,146	5,119	(46,027)
Enterprise	20,000	6,389	(13,611)
Total	\$487,952	\$483,199	(\$4,753)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$466,133	\$451,620	\$14,513
Special Revenue	36,500	29,112	7,388
Capital Projects	63,977	63,977	0
Enterprise	28,200	24,114	4,086
Total	\$594,810	\$568,823	\$25,987

The capital projects fund had actual expenditures in excess of appropriations, contrary to Ohio Revised Code Section 5705.41.

**Note 4 – Deposits and Investments**

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

Demand deposits	2018 (\$34,612)
STAR Ohio	174,388
Total deposits and investments	\$139,776

***Deposits***

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Investments***

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

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

***Income Taxes***

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a 50 percent credit on the income earned outside the Village and paid to another municipality.

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

**Note 6 - Risk Management**

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

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

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100 percent of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

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

The Pool's most recent audited financial statements conform with generally accepted accounting principles and reported the following assets, liabilities and equity at December 31, 2018 (most current information available).

	2018
Assets	\$15,065,412
Liabilities	(10,734,623)
Members' Equity	\$4,330,789

The complete financial statements for OPRM are available at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most part time employees, Village Officials, and Council members belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS - Local members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. OPERS – Law Enforcement members contributed 13%, of their gross salaries and the Village contributed an amount equaling 18.1 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

***Social Security***

Some of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$49,543	0.00%
General Obligation Bond	282,000	3.95%
Ohio Water Development Authority Loan	144,037	2.75%
Total	\$475,580	

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

The remaining costs of the project were funded by a \$450,000 1-Year Note at 0.70 percent interest obtained through the Ohio Market Access Program issued on January 26, 2016. In January 2017, the Village made a \$100,000 principal payment upon the maturity of the 1-Year note and restructured the remaining debt into a \$350,000 10-year general obligation bond at an interest rate of 3.95 percent.

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

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

***Amortization***

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

Year Ending December 31:	OPWC Loan	General Obligation Bonds		OWDA Loan	
		Principal	Interest	Principal	Interest
2019	\$2,831	\$34,000	\$10,803	\$10,283	\$3,891
2020	2,831	34,000	9,460	10,568	3,606
2021	2,831	34,000	8,117	10,860	3,314
2022	2,831	36,000	6,755	11,161	3,012
2023	2,831	36,000	5,333	11,470	2,703
2024-2028	14,155	108,000	7,466	62,294	8,575
2029-2033	14,155	0	0	27,401	948
2034-2036	7,078	0	0	0	0
<b>Total</b>	<b>\$49,543</b>	<b>\$282,000</b>	<b>\$47,934</b>	<b>\$144,037</b>	<b>\$26,049</b>

**Note 10 – Jointly Governed Organizations**

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2018. Contact NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**Note 11 – Related Party Transactions**

***Council Secretary and Council Members***

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



**Village of Timberlake, Ohio**  
*Lake County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$216,539	\$0	\$0	\$216,539
Municipal Income Tax	119,693	0	0	119,693
Intergovernmental	74,015	32,967	7,884	114,866
Fines, Licenses and Permits	23,473	3,690	0	27,163
Earnings on Investments	2,449	133	235	2,817
Miscellaneous	14,984	0	0	14,984
<i>Total Cash Receipts</i>	<u>451,153</u>	<u>36,790</u>	<u>8,119</u>	<u>496,062</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	241,594	1,736	0	243,330
Public Health Services	6,000	0	0	6,000
Leisure Time Activities	1,519	0	0	1,519
Basic Utility Services	25,168	0	0	25,168
Transportation	0	8,642	0	8,642
General Government	172,038	24,321	0	196,359
Debt Service:				
Principal Retirement	0	0	485,416	485,416
Interest and Fiscal Charges	0	0	14,556	14,556
<i>Total Cash Disbursements</i>	<u>446,319</u>	<u>34,699</u>	<u>499,972</u>	<u>980,990</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,834</u>	<u>2,091</u>	<u>(491,853)</u>	<u>(484,928)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Bonds	0	0	350,000	350,000
Transfers In	0	4,000	5,000	9,000
Transfers Out	(9,000)	0	0	(9,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,000)</u>	<u>4,000</u>	<u>355,000</u>	<u>350,000</u>
<i>Net Change in Fund Cash Balances</i>	(4,166)	6,091	(136,853)	(134,928)
<i>Fund Cash Balances, January 1</i>	<u>209,903</u>	<u>10,483</u>	<u>125,032</u>	<u>345,418</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	16,574	0	16,574
Committed	0	0	10,000	10,000
Assigned	100,701	0	0	100,701
Unassigned	105,036	0	(21,821)	83,215
<i>Fund Cash Balances, December 31</i>	<u>\$205,737</u>	<u>\$16,574</u>	<u>(\$11,821)</u>	<u>\$210,490</u>

*See accompanying notes to the financial statements*

**Village of Timberlake, Ohio**  
*Lake County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2017*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$25,515	\$0	\$25,515
Hall Rental Security Fund	0	5,000	5,000
<i>Total Operating Cash Receipts</i>	<u>25,515</u>	<u>5,000</u>	<u>30,515</u>
<b>Operating Cash Disbursements</b>			
Personal Services	927	0	927
Contractual Services	25,936	0	25,936
Hall Rental Security Fund	0	5,250	5,250
<i>Total Operating Cash Disbursements</i>	<u>26,863</u>	<u>5,250</u>	<u>32,113</u>
<i>Operating Income (Loss)</i>	<u>(1,348)</u>	<u>(250)</u>	<u>(1,598)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments	211	0	211
Principal Retirement	(9,870)	0	(9,870)
Interest and Other Fiscal Charges	(4,304)	0	(4,304)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(13,963)</u>	<u>0</u>	<u>(13,963)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(15,311)</u>	<u>(250)</u>	<u>(15,561)</u>
<i>Fund Cash Balances, January 1</i>	<u>29,752</u>	<u>2,044</u>	<u>31,796</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$14,441</u></u>	<u><u>\$1,794</u></u>	<u><u>\$16,235</u></u>

*See accompanying notes to the financial statements*

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

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

***Public Entity Risk Pool and Jointly Governed Organization***

The Village participates in the Ohio Plan Risk Management, Inc., public entity risk pool and the Northeast Ohio Public Energy Council (NOPEC), jointly governed organization. Notes 6 and 10 to the financial statements provide additional information for these entities.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue fund:

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

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

***Capital Road Project*** This fund accounts for various revenues which are restricted for road projects.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

**Sanitary Sewer Maintenance** This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for street opening cash bond money and Village hall rental security deposits.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Deposits and Investments***

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

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

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$411,850	\$451,153	\$39,303
Special Revenue	43,300	40,790	(2,510)
Capital Projects	386,150	363,119	(23,031)
Enterprise	20,000	25,726	5,726
Total	\$861,300	\$880,788	\$19,488

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$459,704	\$455,319	\$4,385
Special Revenue	41,500	34,699	6,801
Capital Projects	516,150	499,972	16,178
Enterprise	41,200	41,037	163
Total	\$1,058,554	\$1,031,027	\$27,527

**Note 4 – Deposits and Investments**

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

	2017
Demand deposits	\$1,082
STAR Ohio	225,643
Total deposits and investments	\$226,725

***Deposits***

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

***Income Taxes***

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a 50 percent credit on the income earned outside the Village and paid to another municipality.

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

**Note 6 - Risk Management**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

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

The Pool's audited financial statements conform with generally accepted accounting principles and reported the following assets, liabilities and equity at December 31, 2017.

	2017
Assets	<u>\$14,853,620</u>
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u><u>\$5,292,512</u></u>

The complete financial statements for OPRM are available at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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

## **Note 7 - Defined Benefit Pension Plans**

### ***Ohio Public Employees Retirement System***

Most part time employees, Village Officials, and Council members belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS - Local members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. OPERS - Law Enforcement members contributed 13%, of their gross salaries and the Village contributed an amount equaling 18.1%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

### ***Social Security***

Some of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.



**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$52,374	0.00%
General Obligation Bond	316,000	3.95%
Ohio Water Development Authority Loan	149,074	2.75%
Total	<u>\$517,448</u>	

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

The remaining costs of the project were funded by a \$450,000 1-Year Note at 0.70 percent interest obtained through the Ohio Market Access Program issued on January 26, 2016. In January 2017, the Village made a \$100,000 principal payment upon the maturity of the 1-Year note and restructured the remaining debt into a \$350,000 10-year general obligation bond at an interest rate of 3.95 percent.

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

**Village of Timberlake, Ohio**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

***Amortization***

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

Year Ending December 31:	OPWC Loan	General Obligation Bonds		OWDA Loan	
		Principal	Interest	Principal	Interest
2018	\$2,831	\$34,000	\$12,146	\$5,037	\$2,050
2019	2,831	34,000	10,803	10,283	3,891
2020	2,831	34,000	9,460	10,568	3,606
2021	2,831	34,000	8,117	10,860	3,314
2022	2,831	36,000	6,755	11,161	3,012
2023-2027	14,155	144,000	12,798	60,616	10,252
2028-2032	14,155	0	0	40,549	1,974
2033-2036	9,909	0	0	0	0
<b>Total</b>	<b>\$52,374</b>	<b>\$316,000</b>	<b>\$60,079</b>	<b>\$149,074</b>	<b>\$28,099</b>

**Note 10 – Jointly Governed Organizations**

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2017. Contact NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**Note 11 – Related Party Transactions**

***Council Secretary and Council Members***

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

**VILLAGE OF TIMBERLAKE  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

**FINDING NUMBER 2018-001**

**Internal Control Deficiency - Budgetary Accounting**

In our audit engagement letter, as required by Ohio Admin. Code § 117-2-01, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in Ohio Admin. Code § 117-2-01.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The following funds had variances between the Council approved appropriations and the accounting system in Fiscal Year 2018:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Recorded Appropriations</u>	<u>Variance</u>
General Fund	\$ 466,133	\$ 484,677	\$ (18,544)

The following funds had variances between the certificate of estimated resources and the accounting system estimated revenue in Fiscal Year 2018:

<u>Fund</u>	<u>Council Approved Estimated Revenue</u>	<u>Accounting System Recorded Estimated Revenue</u>	<u>Variance</u>
General Fund	\$ 377,506	\$ 338,811	\$ (38,695)
Street Maintenance & Repair Fund	36,000	30,500	(5,500)

The following funds had variances between the certificate of estimated resources and the accounting system estimated revenue in Fiscal Year 2017:

<u>Fund</u>	<u>Council Approved Estimated Revenue</u>	<u>Accounting System Recorded Estimated Revenue</u>	<u>Variance</u>
General Fund	\$ 411,850	\$ 373,314	\$ (38,536)
Capital Road Project Fund	381,150	394,686	13,536

**FINDING NUMBER 2018-001 – (Continued)**

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations and amendments thereof approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources and amendments thereof were not accurately posted to the accounting system. This resulted in incorrect information being included in the budgetary footnote for Fiscal Years 2018 and 2017.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**Officials' Response:**

A new experienced Fiscal Officer was hired in September 2019 and Village went onto the UAN system. Council receives monthly UAN reports.

**FINDING NUMBER 2018-002**

**Noncompliance Finding – Appropriations Exceeding Estimated Resources**

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2017 the Village's appropriations exceeded the amount certified as available by the budget commission in the Capital Road Project fund by \$4,968.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the County should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Council to reduce the appropriations.

**Officials' Response:**

A new experienced Fiscal Officer was hired in September 2019 and Village went onto the UAN system. Council receives monthly UAN reports.

### FINDING NUMBER 2018-003

#### Noncompliance Finding – Annual Financial Reporting

**Ohio Rev. Code § 117.38** requires cash-basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. Additionally, Auditor of State Bulletin 2015-007 indicates beginning with 2015 financial report filings, all entities required to file with the AOS must file electronically via the Hinkle Annual Financial Data Reporting System (Hinkle System) unless a waiver has been approved by the Auditor of State for the applicable filing year.

The Village did not file its financial statements for the year ended December 31, 2018 until December 19, 2019. In addition to that; the Village did not file its financial statements for the year ended December 31, 2017 until December 17, 2019.

The Village should file its complete annual report with the Auditor of State within 60 days of fiscal year end.

#### Officials' Response:

A new experienced Fiscal Officer was hired in September 2019 and Village went onto the UAN system. Correction was made with the 2019 reporting.

### FINDING NUMBER 2018-004

#### Internal Control Deficiency - Financial Statement Adjustments

In our audit engagement letter, as required by Ohio Admin. Code § 117-2-01, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error. **Governmental Accounting Standards Board (GASB) Statement No. 54** – Fund Balance Reporting and Governmental Fund Type Definitions introduced five fund balance classifications and clarified the existing governmental fund type definitions. **Statement 54 Paragraph 16** (codified in GASB Cod. 1800.176) indicates when an appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Auditor of State Bulletin 2011-004 provides additional guidance on GASB Statement 54.

The following errors were identified and were adjusted to the 2018 financial statements, and accounting system where appropriate, by management:

- General fund property taxes, income taxes and cash were overstated \$21,874, \$8,840 and \$8,840, respectively, and intergovernmental revenue, cash, beginning fund balance and property taxes were understated \$21,874, \$56,422, \$36,802 and \$19,620, respectively, due to the net effect of various financial statements mispostings.
- Special revenue funds' municipal income tax, unassigned fund balance and assigned fund balance were overstated \$10,133, \$15,677 and \$3,293, respectively, and cash, intergovernmental revenue and restricted fund balance were understated \$8,840, \$18,973 and \$18,970, respectively, due to the net effect of various financial statements mispostings.

**FINDING NUMBER 2018-004 – (Continued)**

- Capital projects funds' property taxes, principal retirement, interest and other fiscal charges, cash and beginning fund balance were overstated \$19,620, \$5,037, \$2,050, \$63,509 and \$36,802, respectively, due to the net effect of various financial statements mispostings.
- Proprietary funds' cash, principal retirement and interest and other fiscal charges were understated by \$7,807, \$5,037 and \$2,050, respectively, due to the net effect of various financial statement mispostings.

The following errors were identified and were adjusted to the 2017 financial statements, and accounting system where appropriate, by management:

- General fund unassigned fund balance was overstated \$94,814 and assigned fund balance, property taxes and cash were understated \$94,814, \$36,802 and \$36,802, respectively, due to the net effect of various financial statements mispostings.
- Special revenue funds' assigned and unassigned fund balances were overstated \$939 and \$15,635, respectively, and restricted fund balance was understated \$16,574, due to the incorrect classification of fund balances.
- Capital projects funds' property taxes, cash, unassigned fund balance and interest and fiscal charges were overstated \$36,802, \$36,802, \$10,000, and \$1,416, respectively, and principal retirement and committed fund balance were understated \$1,416 and \$10,000, respectively, due to the net effect of various financial statement mispostings.

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

**Officials' Response:**

Council receives and reviews monthly UAN reports.

**FINDING NUMBER 2018-005**

**Noncompliance Finding – Availability of Public Records**

**Ohio Rev. Code § 149.43(B)(1)** indicates upon request and subject to division (B)(8) of this section, all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. **Ohio Rev. Code § 149.43(B)(2)** indicates to facilitate broader access to public records, a public office or the person responsible for public records shall organize and maintain public records in a manner that they can be made available for inspection or copying in accordance with division (B) of this section.

Various public record requests for the 2017-2018 financial statement audit including deposit slips, expenditure vouchers, cancelled check images from Huntington Bank, various council meeting minutes, and credit card purchase original vouchers were not made available after several requests and inquires resulting in significant delays in completing required audit procedures. Furthermore, support documentation for several expenditure vouchers could not be located by Village management at all.

**FINDING NUMBER 2018-005 – (Continued)**

Failure to maintain readily available supporting documentation for all transactions hinders management's ability to ensure the Village's funds are being deposited into the proper fund and account and/or expended for proper public purposes. This may also lead to financial statement and other accounting errors.

The Village should implement policies and procedures to ensure all public records are properly maintained and are readily available for public inspection.

**Officials' Response:**

The Village has decided to have no comment on this finding.

**FINDING NUMBER 2018-006**

**Internal Control Deficiency and Noncompliance Finding – Fiscal Officer and Council Member Pay**

**Village of Timberlake Ordinance No. 2018-4** indicates the fiscal officer is to receive a salary of \$6,103 per year. The Village pays the fiscal officer 12 monthly payments of \$509. The Ordinance also indicates council members are to receive a salary of \$1,800 per year.

Our payroll testing noted the Fiscal Officer appointed from June 2018 to September 2018 was paid an additional "PERS pick up" of \$5 for each of the four checks issued which totaled \$20. This was not approved by council in the aforementioned ordinance. In addition, a Council Member whose term began on June 19, 2018 was paid a total of \$1,500. Our recalculation shows for seven months of service, the council member should have received only \$1,050 resulting in an overpayment of \$450.

To prevent this from occurring in the future, management should review the payroll journal and should reconcile the net pay from the payroll journal to the amount direct deposited from the payroll bank account each month. If errors are discovered during this process, management should take immediate action to correct the incorrectly recorded amounts.

**Officials' Response:**

A new experienced Fiscal Officer was hired in September 2019 and Village went onto the UAN system. Council receives monthly UAN reports.

**FINDING NUMBER 2018-007**

**Internal Control Deficiency, Noncompliance Finding and Finding For Recovery – Child Support Over payments**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, 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. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005** Expenditure of Public Funds/Proper Public Purpose states 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 Village paid child support payments on-behalf-of Geoffrey Esser totaling \$2,965 for pay-dates ranging from September 2018 to May 2019 contrary to the fact he left service at the Village during September 2018. After his termination, the Village continued to remit child support payments for Geoffrey Esser for each pay-period from the second pay of September 2018 through the end of May 2019. In total, there were eighteen extra payments made by the Village to Ohio Child Support Payment Central.

The Village also paid child support payments on-behalf-of David Clarich totaling \$1,277 for pay-dates ranging from March 2019 to May 2019 contrary to the fact he became a part time employee and it was determined his other employer would be tasked with withholding and remitting child support payments. After this change in employment status, the Village continued to remit child support payments for David Clarich for each pay-period from the second pay of March 2019 through the end of May 2019, even though the Village had stopped withholding child support from his pay check. In total, there were five extra payments made by the Village to Ohio Child Support Payment Central.

The overpayment of child support assessed against the Village could have been avoided had the Village timely adjusted the amount sent to Ohio Child Support Payment Central to reflect Geoffrey Esser’s termination and David Clarich’s change in employment status; as such, these expenditures do not serve a proper public purpose. The applicable Fiscal Officers and Mayor(acting Fiscal Officer) were responsible for correctly withholding and remitting child support payments during the time period these overpayments were incurred.

The following lists responsible officials during the applicable obligation dates, with the respective obligation for each Fiscal Officer and acting Fiscal Officer:

- Angela Johns \$164
- Michael Stanton \$329
- Nina Transkey \$3,749

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former employee, Geoffrey Esser and David Clarich, in the amounts of \$2,965 and \$1,277, respectively, and in favor of the Village of Timberlake’s General Fund.



### FINDING NUMBER 2018-007 – (Continued)

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 an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). 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.

Angela Johns, Michael Stanton, and Nina Transkey were responsible for correctly withholding and remitting child support payments during the time period these overpayments were incurred. Former Fiscal Officer Angela Johns, former Mayor(acting Fiscal Officer) Michael Stanton, Former Fiscal Officer Nina Transkey, and Village Bonding Company, Ohio Plan Risk Management, Inc., are hereby jointly and severally liable in the amounts of \$164, \$329, \$3,749, and \$4,078, respectively, and in favor of the Village of Timberlake's General Fund. Angela Johns was not bonded while employed at the Village, therefore, the amount applicable to her is not included in the amount Ohio Plan Risk Management, Inc. is jointly and severally liable for. This matter is addressed in Finding 2018-014.

#### Officials’ Response:

The Village is working with the State Auditor, part time police officer and former police officer to have money returned to the Village.

### FINDING NUMBER 2018-008

#### Noncompliance Finding – Remittance Payments

**Ohio Rev. Code § 5747.06(A)** Provides every employer, including the state and its political subdivision, maintaining an office or transacting business within this state and making payments of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as a result, as far as practicable, in withholding from the employee’s compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee’s adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructive pays the compensation to, or credits the compensation to the benefit of employee.

The law requires employers to withhold taxes from employees’ paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees’ share of FICA taxes and individual income taxes. See 26 U.S.C. §§ 3102(a) and 3402(a). Those withholdings are considered to be held in “a special fund in trust for the United States.” 26 U.S.C. § 7501(a). The employer is liable for the withheld portion of the employee’s wages and must pay over the full amount to the government each quarter. See *United States v Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008).

The Village failed to remit payments timely to the Internal Revenue Service (IRS), Ohio Treasurer of State, and Ohio Public Employees Retirement System (OPERS) for income tax and pension withholdings from May 2018 through December 2018. This resulted in penalties and interest charged to the Village, which is addressed in Finding 2018-009. We noted the Village did remit the withholdings after the audit period.

This matter has been referred to the Internal Revenue Service, Ohio Treasurer of State, and OPERS.

**FINDING NUMBER 2018-008 – (Continued)**

The Village should ensure all tax payments are remitted in a timely manner to the appropriate taxing authority.

**Officials' Response:**

A new experienced Fiscal Officer was hired in September 2019 and the Village went onto the UAN system. Correction was made starting September 2019.

**FINDING NUMBER 2018-009**

**Noncompliance Finding and Finding For Recovery Partially Repaid Under Audit – Overdraft Fees, Late Fees, Penalties and Interest**

*State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, 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. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005** Expenditure of Public Funds/Proper Public Purpose states 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 Village paid overdraft fees, late fees, penalties and interest for various items totaling \$4,282 with obligation dates ranging from May 2018 to January 2020. The purpose for these fees, penalties and interest related to pension withholdings, overdraft fees, late payments for gas credit card, credit card interest and late fees, state tax remittances, federal tax remittances and Ohio Jobs and Family Services payments and forfeitures.

The following lists responsible officials during the applicable obligation dates, with the respective obligation for each Fiscal Officer and acting Fiscal Officer:

- Angela Johns \$526
- Michael Stanton \$339
- Nina Transkey \$3,264
- Joanne Clapp \$153

The fees, interest and penalties assessed against the Village could have been avoided had the Village timely and accurately remitted all payments and applicable forms; as such, these expenditures do not serve a proper, public purpose. The various aforementioned Village Fiscal Officers and acting Fiscal Officer were responsible for remitting payments during the time period these fees were incurred. This matter is addressed in Finding 2018-008.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former Fiscal Officer Angela Johns, former Mayor(acting Fiscal Officer) Michael Stanton, former Fiscal Officer Nina Transkey, current Fiscal Officer Joanne Clapp, and the Village's Bonding Company, Ohio Plan Risk Management, Inc., in the amounts of \$526, \$339, \$3,264, \$153, and \$3,756, respectively, and in favor of the Village of Timberlake's General Fund. Angela Johns was not bonded while employed at the Village, therefore, the amount applicable to her is not included in the amount Ohio Plan Risk Management, Inc. is jointly and severally liable for. This matter is addressed in Finding 2018-014.

### **FINDING NUMBER 2018-009 – (Continued)**

At the January 21, 2020 Council Meeting, Joanne Clapp, Fiscal Officer, presented the Village with a personal check for \$153 and we consider that portion of this finding for recovery to be resolved under audit.

#### **Officials' Response:**

Fiscal Officer Clapp penalties and late fees were due to the result of being hired in September 2019 and the reviewing of financial records/reports. Fiscal Officer Clapp had to fix the prior administration's mistakes which took some time along with setting up the UAN system.

### **FINDING NUMBER 2018-010**

#### **Internal Control Deficiency and Noncompliance Finding – Credit Card Policy**

**Ohio Rev. Code § 9.21 (H)** says a "Credit Card Account" generally means any:

- bank-issued credit card account,
- store-issued credit card account,
- financial institution-issued credit card account,
- financial depository issued credit card account,
- affinity credit card account,
- any other card account allowing the holder to purchase goods or services on credit or to transact with the account, and
- any debit or gift card account related to the receipt of grant moneys.

**House Bill 312 (132 GA)** requires political subdivisions (not including counties or colleges/universities) to follow procedures for the use of credit card accounts, including adopting a policy, conducting a periodic review, and in some cases providing itemized receipts to the political subdivision. The statute establishes two separate internal control models for credit card usage by political subdivisions: the custody and control model and the compliance officer model. Not later than February 2, 2019, the legislative authority of a political subdivision that holds a credit card account must adopt one of these written policies for the use of credit card accounts. Otherwise, a legislative authority must adopt a written policy before the use of a card account. The policy must include provisions addressing all the following:

- The appointment of a compliance officer, where applicable;
- The officers or positions authorized to use a credit card account;
- The types of expenses for which a credit card account may be used;
- The procedures for acquisition, use, and management of a credit card account and presentation instruments related to the account including cards and checks;
- The procedure for submitting itemized receipts to the fiscal officer or the fiscal officer's designee
- The procedure for credit card issuance, credit card reissuance, credit card cancelation and the process for reporting lost or stolen credit cards;

**FINDING NUMBER 2018-010 – (Continued)**

- The political subdivision's credit card account's maximum credit limit or limits; and
- The actions or omissions by an officer or employee that qualify as misuse of a credit card account.

The Village failed to adopt a credit card policy in accordance with HB 312 as required above.

Additionally, during testing of credit card purchases it was noted that an employee of the Village used the Village's credit card to pay their own personal cell phone bill. Upon review of that monthly credit card statement, the Fiscal Officer declined to pay the bill in full because the expenditure was not a proper, public purpose. Once the employee repaid the Village for the illegal expenditure, the Village then billed the same employee for all of the interest and penalties accrued on the credit card account. The employee repaid the Village all that was owed by February 2018.

The Village should adopt a credit card policy to include all the provisions of House Bill 312. Policies should be reviewed on an annual basis to ensure continuing compliance with all requirements.

**Officials' Response:**

Village Council will be adopting the required Credit Card Policy at their upcoming August meeting.

**FINDING NUMBER 2018-011**

**Internal Control Deficiency – Disaster Recovery Plan**

Sound business practices require that entities prepare plans for use in emergency situations which significantly disrupt information systems.

The Village has not addressed the need for a complete disaster recovery plan which addresses the decision making process following a disaster. Without thorough, well-documented business recovery procedures, critical resources and processing may not be restored in a timely and efficient manner in the event of a disaster.

As a result, the Village could incur substantial costs in attempting to retrieve and recreate pertinent financial information for internal and external purposes. Data processing contingency plans identify arrangements for alternative data processing on compatible hardware and software. A proper plan removes as much time-consuming decision making as possible from the period immediately following the disaster.

The Village should develop procedures to include, at a minimum, the following items:

- The hardware, software, and communication needs for processing at an alternate site, as well as developing a priority list for application processing;
- Key personnel necessary for processing at an alternate site;
- Training for key personnel and allowance for the periodic testing of a transfer of processing to an alternate site;
- A manual backup process to bring the organization to the point where crucial system can be recovered. The back-up process should address personnel, hardware, safe-keeping, software requirements as well as the manual flow of paper transactions through the necessary authorization trail; and
- The preparation of a structured test of the plan, ensuring the plan is periodically tested and formally addressing the results of the test and makes updates to the plan based on the results.

**FINDING NUMBER 2018-011 – (Continued)**

Once completed, the contingency plan should be periodically reviewed and tested. This review should also ensure personnel are sufficiently trained to carry out procedures necessary to restore functions critical to business operations. All individuals responsible for the disaster recovery plan tasks should be knowledgeable of their duties and retain a copy of the plan. Additionally, the most current revision of the plan should be kept off-site.

**Officials' Response:**

A disaster recovery plan will be in place by the end of 2020.

**FINDING NUMBER 2018-012**

**Noncompliance Findings – Negative Fund Balance**

**Ohio Rev. Code § 5705.10(I)** requires that money paid into a fund must be used only for the purposes for which such fund has been established.

Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The Street Maintenance & Repair fund, Capital Road Project Fund and Sanitary Sewer Fund had deficit fund balances of \$6,664, \$70,679 and \$3,284, respectively, at December 31, 2018. Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls, such as the Management and/or Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Village should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**Officials' Response:**

The UAN system was set up to not allow negative fund balances.

**FINDING NUMBER 2018-013**

**Internal Control Deficiency – Bank Reconciliation**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council are responsible for reviewing the reconciliations and related support.

**FINDING NUMBER 2018-013 – (Continued)**

The original reconciled cash balances reflected on the accounting system's December 31, 2018 and 2017 bank reconciliations did not agree to the final adjusted reconciled bank balances by differences of \$67,272 and \$40,878, respectively. These differences resulted in an initial "unauditable" designation by the Auditor of State and a significant delay in the completion of the Village's 2018 and 2017 financial statement audit.

Subsequent review of accounting records and bank reconciliations by the Auditor of State's Local Government Services Division during the reconstruction identified numerous errors including, but not limited to, incorrect identification of outstanding checks, deposit in transit and other reconciling items, as well as, multiple unrecorded receipts and disbursements. After accounting for these items, the Village's bank account reconciled to the reconstructed accounting system reports.

Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare accurate monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**Officials' Response:**

A new experienced Fiscal Officer was hired in September 2019 and the Village went onto the UAN system. Council receives monthly UAN reports.

**FINDING NUMBER 2018-014**

**Noncompliance Finding – Public Official Bond**

**Ohio Rev. Code § 3.30** indicates a person elected or appointed to an office who is required by law to give a bond or security previous to the performance of the duties imposed on him by his office, who refuses or neglects to give such bond or furnish such security within the time and in the manner prescribed by law, and in all respects to qualify himself for the performance of such duties, is deemed to have refused to accept the office to which he was elected or appointed. Such office shall be considered vacant and shall be filled as provided by law. **Village of Timberlake Codified Ordinance 260.02 - Bond Required; Filing and Recording** indicates that each officer of the Village required by law or ordinance to give bond shall do so before entering upon the duties of the office, except as otherwise provided in Title Seven of the Ohio Revised Code. The bond of the Fiscal Officer shall be delivered to the Mayor, who shall in like manner record and preserve it.

While an insurance policy did cover the Fiscal Officer, **1965 Op. Atty. Gen. No. 1965-087** discusses that where it is provided by statute that an officer shall file a bond before entering upon the discharge of the duties of the office, that bond must be an individual official bond. If the requirement is not included in the statute, then an umbrella or blanket bond will satisfy the bonding requirement. As bonding is required by statute upon the discharge of duties, the Village Fiscal Officer would be required to obtain and file an individual bond in their name.

The Fiscal Officer hired from June 2018 to September 2018 did not post a bond in their name as required. Failure to post a bond increases the Village's risk of loss related to employee theft or dishonestly and results in the employee's official position being considered "vacant" under Ohio law.

**FINDING NUMBER 2018-014 – (Continued)**

The Village should require its employees which are required to be bonded to obtain the required bonds before taking office.

**Officials' Response:**

A new experienced Fiscal Officer was hired in September 2019 and is properly bonded.

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VILLAGE OF TIMBERLAKE  
11 EAST SHORE • TIMBERLAKE, OHIO 44095

VILLAGE OF TIMBERLAKE  
LAKE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2016-001	<b>Material Weakness-Financial Statement Adjustments:</b> Several significant financial statement adjustment	No	Not Corrected, Similar comment repeated as Finding 2018-004

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF TIMBERLAKE**

**LAKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 9/8/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)