



**VILLAGE OF LAKEMORE
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997 - 1996



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Lakemore
Summit County
1400 Main Street
Lakemore, Ohio 44250

To the Village Council:

We have audited the accompanying financial statements of the Village of Lakemore, Summit County, Ohio, (the Village) as of and for the years ended 1998, 1997 and 1996. 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 audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lakemore as of December 31, 1998, 1997 and 1996, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

February 3, 2000

Village of Lakemore

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			Fiduciary	(Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Fund Type Expendable Trust
					Total	
Cash receipts:						
Local taxes	\$557,171		\$30,860	\$206,402	\$5,702	\$800,135
Intergovernmental	263,574	\$148,945	4,225		824	417,568
Special assessments	68,310					68,310
Charges for services	162,758	48,548				211,306
Fines, licenses, and permits	45,198	913				46,111
Miscellaneous	2,046	700				2,746
Total cash receipts	1,099,057	199,106	35,085	206,402	6,526	1,546,176
Cash disbursements:						
Current:						
Security of persons and property	418,473	165,978			6,306	590,757
Leisure time activities	39,151					39,151
Community environment	29,754					29,754
Basic utility services	126,052	7,312		564		133,928
Transportation	29,040	57,696				86,736
General government	262,802		573	8,020	103	271,498
Capital outlay	2,685			179,498		182,183
Debt service						
Principal			90,000			90,000
Interest			7,500			7,500
Total cash disbursements	907,957	230,986	98,073	188,082	6,409	1,431,507
Total cash receipts over/(under) cash disbursements	191,100	(31,880)	(62,988)	18,320	117	114,669
Other financing receipts/(disbursements):						
Transfers-in		85,279				85,279
Transfers-out	(85,279)					(85,279)
Other sources	4,194	20,966				25,160
Other uses	(1,770)					(1,770)
Total other financing receipts/(disbursements)	(82,855)	106,245				23,390
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	108,245	74,365	(62,988)	18,320	117	138,059
Fund cash balances (deficit), January 1, 1998	322,814	165,090	(100,487)	246,966	11,485	645,868
Fund cash balances (deficit), December 31, 1998	\$431,059	\$239,455	(\$163,475)	\$265,286	\$11,602	\$783,927

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	(Memorandum Only)	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Fund Type Trust</u>		
					<u>Total</u>	
Cash receipts:						
Local taxes	\$530,639		\$29,391	\$194,719	\$5,777	\$760,526
Intergovernmental	265,662	\$197,766	4,232		830	468,490
Charges for services	105,179	51,244				156,423
Fines, licenses, and permits	31,977					31,977
Miscellaneous	60,766	800				61,566
Total cash receipts	<u>994,223</u>	<u>249,810</u>	<u>33,623</u>	<u>194,719</u>	<u>6,607</u>	<u>1,478,982</u>
Cash disbursements:						
Current:						
Security of persons and property	405,233	132,542				537,775
Public health services	6,667					6,667
Leisure time activities	29,337					29,337
Community environment	11,964					11,964
Basic utility services	117,351					117,351
Transportation	34,658	76,245				110,903
General government	239,980		471	7,580	96	248,127
Capital outlay	6,563	23,155		207,171		236,889
Debt service:						
Principal			90,000			90,000
Interest			11,700			11,700
Total cash disbursements	<u>851,753</u>	<u>231,942</u>	<u>102,171</u>	<u>214,751</u>	<u>96</u>	<u>1,400,713</u>
Total cash receipts over/(under) cash disbursements	<u>142,470</u>	<u>17,868</u>	<u>(68,548)</u>	<u>(20,032)</u>	<u>6,511</u>	<u>78,269</u>
Other financing receipts/(disbursements):						
Transfers-in		66,414				66,414
Transfers-out	(66,414)					(66,414)
Other sources	2,081			500		2,581
Other uses	(435)	(522)				(957)
Total other financing receipts/(disbursements)	<u>(64,768)</u>	<u>65,892</u>		<u>500</u>		<u>1,624</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	<u>77,702</u>	<u>83,760</u>	<u>(68,548)</u>	<u>(19,532)</u>	<u>6,511</u>	<u>79,893</u>
Fund cash balances (deficit), January 1, 1997	<u>245,112</u>	<u>81,330</u>	<u>(31,939)</u>	<u>266,498</u>	<u>4,974</u>	<u>565,975</u>
Fund cash balances (deficit), December 31, 1997	<u>\$322,814</u>	<u>\$165,090</u>	<u>(\$100,487)</u>	<u>\$246,966</u>	<u>\$11,485</u>	<u>\$645,868</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1996**

	<u>Governmental Fund Types</u>				<u>Fiduciary</u>	(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fund Type</u> Expendable Trust	
						<u>Total</u>
Cash receipts:						
Local taxes	\$490,858		\$29,222	\$181,475	\$4,410	\$705,965
Intergovernmental receipts	232,120	\$137,108	4,193		634	374,055
Charges for services	104,797	45,131				149,928
Fines, licenses, and permits	35,927	2,394				38,321
Miscellaneous	57,596	1,400				58,996
Total cash receipts	921,298	186,033	33,415	181,475	5,044	1,327,265
Cash disbursements:						
Current:						
Security of persons and property	393,366	97,481	24			490,871
Public health services	6,607					6,607
Leisure time activities	19,833					19,833
Community environment	10,708					10,708
Basic utility services	136,433					136,433
Transportation	28,548	90,956				119,504
General government	210,157	23,467	460		70	234,154
Capital outlay	2,032	39,913		\$116,437		158,382
Debt service:						
Principal			90,000			90,000
Interest			13,631			13,631
Total cash disbursements	807,684	251,817	104,115	116,437	70	1,280,123
Total cash receipts over/(under) cash disbursements	113,614	(65,784)	(70,700)	65,038	4,974	47,142
Other financing receipts/(disbursements):						
Transfers-in		39,853				39,853
Transfers-out	(39,853)					(39,853)
Other sources	1,759					1,759
Other uses	(1,246)	(11,819)				(13,065)
Total other financing receipts/(disbursements)	(39,340)	28,034				(11,306)
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	74,274	(37,750)	(70,700)	65,038	4,974	35,836
Fund cash balances, January 1, 1996	170,838	119,080	38,761	201,460		530,139
Fund cash balances (deficit), December 31, 1996	\$245,112	\$81,330	(\$31,939)	\$266,498	\$4,974	\$565,975

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996**

	Proprietary Fund Type		
	1998	1997	1996
Operating revenues:			
Charges for services	\$586,081	\$609,783	\$563,524
Fines, licenses, and permits	10,536		
Total operating revenues	<u>596,617</u>	<u>609,783</u>	<u>563,524</u>
Operating disbursements:			
Personnel services	133,470	124,018	120,284
Contractual services	347,255	382,367	364,990
Supplies and materials	25,322	16,190	18,429
Capital outlay		1,946	16,233
Total operating disbursements	<u>506,047</u>	<u>524,521</u>	<u>519,936</u>
Operating income	<u>90,570</u>	<u>85,262</u>	<u>43,588</u>
Non-operating revenues/disbursements:			
Other non-operating revenues	4,150		2,250
Other non-operating disbursements	(5,850)	(1,493)	(986)
Total non-operating revenues/disbursements	<u>(1,700)</u>	<u>(1,493)</u>	<u>1,264</u>
Net revenues over disbursements	88,870	83,769	44,852
Fund cash balances, beginning of year	<u>503,764</u>	<u>419,995</u>	<u>375,143</u>
Fund cash balances, end of year	<u><u>\$592,634</u></u>	<u><u>\$503,764</u></u>	<u><u>\$419,995</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Lakemore (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations, police services, fire and emergency medical services.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH AND INVESTMENTS

The overnight repurchase agreement (sweep) is valued at cost.

Investments are included in the fund cash balance. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

General Fund

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

Special Revenue Funds

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

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

EMS Fund - This fund receives monies from the billings of emergency services provided.

COPFAST Fund - This fund receives federal monies for the purpose of hiring part-time police officers.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

Fire Protection Fund - This fund receives local government monies for the payment of the fire truck note. See note 7.

General Bond Retirement Fund - This fund was used for the payment of water fund capital improvements. See note 7.

Capital Project Funds

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

Capital Improvement Fund - This fund receives 25% of local income tax revenues for various capital projects.

Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this water service.

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

Fiduciary Funds (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant expendable trust fund:

Police Disability and Pension Fund - This fund is used to account for payments to the police disability and pension fund.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY PROCESS

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

Encumbrances

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

A summary of 1998, 1997 and 1996 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Demand deposits	\$ (48,439)	\$ (5,368)	\$ (4,030)
Repurchase agreements	<u>1,425,000</u>	<u>1,155,000</u>	<u>990,000</u>
Total deposits and investments	<u>\$1,376,561</u>	<u>\$1,149,632</u>	<u>\$985,970</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

The negative demand deposit balance is covered by resources that are available in the overnight repurchase agreements.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998, 1997 and 1996 follows:

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$948,182	\$1,103,251	\$155,069
Special Revenue	203,000	305,351	102,351
Debt Service	33,768	35,085	1,317
Capital Projects	190,000	206,402	16,402
Enterprise	590,000	600,767	10,767
Expendable Trust	<u>0</u>	<u>6,526</u>	<u>6,526</u>
Total	<u>\$1,964,950</u>	<u>\$2,257,382</u>	<u>\$292,432</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$950,688	\$995,006	(\$44,318)
Special Revenue	241,631	230,986	10,645
Debt Service	34,999	98,703	(63,704)
Capital Projects	190,000	188,082	1,918
Enterprise	590,000	511,897	78,103
Expendable Trust	<u>6,538</u>	<u>6,409</u>	<u>129</u>
Total	<u>\$2,013,856</u>	<u>\$2,030,453</u>	<u>(\$16,597)</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$918,022	\$996,304	\$78,282
Special Revenue	191,400	316,224	124,824
Debt Service	33,768	33,623	(145)
Capital Projects	189,000	195,219	6,219
Enterprise	570,000	609,783	39,783
Expendable Trust	<u>0</u>	<u>6,607</u>	<u>6,607</u>
Total	<u>\$1,902,190</u>	<u>\$2,157,760</u>	<u>\$255,570</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$998,690	\$918,548	\$80,142
Special Revenue	317,869	232,464	85,405
Debt Service	33,861	102,171	(68,310)
Capital Projects	195,219	214,751	(19,532)
Enterprise	610,994	526,014	84,980
Expendable Trust	<u>6,369</u>	<u>96</u>	<u>6,273</u>
Total	<u>\$2,163,002</u>	<u>\$1,994,044</u>	<u>\$168,958</u>

1996 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$852,198	\$923,057	\$70,859
Special Revenue	827,311	225,886	601,425
Debt Service	33,277	33,415	138
Capital Projects	172,500	181,475	8,975
Enterprise	509,000	565,774	56,774
Expendable Trust	<u>4,397</u>	<u>5,044</u>	<u>647</u>
Total	<u>\$2,398,683</u>	<u>\$1,934,651</u>	<u>(\$464,032)</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1996 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,091,279	\$848,783	\$242,496
Special Revenue	969,501	263,636	705,865
Debt Service	66,296	104,115	(37,819)
Capital Projects	370,828	116,437	254,391
Enterprise	943,185	520,922	422,263
Expendable Trust	<u>5,044</u>	<u>70</u>	<u>27</u>
Total	<u>\$3,446,133</u>	<u>\$1,853,963</u>	<u>\$1,587,223</u>

4. NONCOMPLIANCE

During 1998, 1997 and 1996, monies collected by the Utility Clerk were not deposited with the Clerk / Treasurer or designated depository within 24 hours, contrary to Ohio Rev. Code Section 9.38.

During 1998, 1997 and 1996, the Village made expenditures in excess of appropriations contrary to Ohio Rev. Code Section 5705.41(B).

During 1998, 1997 and 1996, the Village did not certify the availability of funds for the majority of its expenditures, contrary to Ohio Rev. Code Section 5705.41(D).

The Village did not file unaudited financial statements with the Auditor of State nor publish its financial reports, contrary to Ohio Rev. Code Section 117.38.

During 1997, appropriations exceeded estimated resources for certain funds, contrary to Ohio Rev. Code Section 5705.39.

During 1998 and 1997, the Village did not pass an ordinance authorizing the necessary tax levies or certify such levies with the County Auditor, contrary to Ohio Rev. Code Section 5705.34.

During 1997 and 1996, the Village did not obtain an Amended Certificate of Estimated Resources when actual receipts were significantly less than estimated receipts, contrary to Ohio Rev. Code Section 5705.36.

At December 31, 1998, 1997, and 1996, the Village had negative fund balances, contrary to Ohio Rev. Code 5705.10.

During 1996 and prior to adjustment, the Village made illegal inter-fund and intra-fund transfers, contrary to Ohio Rev. Code 5705.16. The adjustments to correct these transfers are reflected on the financial statements.

The Village did not maintain their financial records and reports in an manner consistent with Ohio Administrative Code Section 117-5-01.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996
(Continued)

5. PROPERTY TAX

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

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

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

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

6. INCOME TAX

The Village levies a municipal income tax of 2% on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. Residents of the Village are granted 100% credit for taxes paid in other municipalities. For 1998, 1997 and 1996, income tax collections were \$604,915, \$649,082 and \$688,806, respectively.

7. DEBT

Debt outstanding at December 31, 1998 was as follows:

	<u>Principal</u>	<u>Interest</u>
Fire Truck Note, 1995	\$60,000	5.50%

The Fire Truck Note was issued for the purchase of a fire truck. Future maturities of debt, including interest principal, are as follows:

<u>Year ending December 31:</u>	<u>Fire Truck Note</u>
1999	\$33,300
2000	<u>31,650</u>
Total	<u>\$64,950</u>

During 1998, the Village paid off its general obligation bond for water fund capital improvements. This bond was originally for \$300,000, and was paid off in annual installments of \$60,000.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996
(Continued)

8. RETIREMENT SYSTEMS

The Village's law enforcement officers and full-time firefighters belong to the Police & Firemen's Disability & Pension Fund (PFDPF). All other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998, 1997 and 1996, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries.

The Village has paid all contributions required through December 31, 1998.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance and vision coverage to full-time employees through a private carrier.

10. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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

Village of Lakemore
Summit County
1400 Main Street
Lakemore, Ohio 44250

To the Village Council:

We have audited the accompanying financial statements of the Village of Lakemore, Summit County, Ohio, (the Village) as of and for the years ended December 31, 1998, 1997 and 1996 and have issued our report thereon dated February 3, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1998-30977-001 through 1998-30977-010.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 1998-30977-011.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also

Village of Lakemore
Summit County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

In addition, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 3, 2000.

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

Jim Petro
Auditor of State

February 3, 2000

**Schedule of Findings
For the Years Ended December 31, 1998, 1997 and 1996**

Finding Number	1998-30977-001
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Ohio Rev. Code Section 9.38, states that monies should be deposited with the Village Clerk or designated depository within 24 hours of collection.

Approximately 25% of the customer receipts tested were not deposited by the Utility Clerk with the Village Clerk or depository within twenty-four hours. To provide maximum accountability of cash, we recommend that the Utility Clerk deposit all monies collected for utilities with the Village Clerk or depository within twenty-four hours.

Finding Number	1998-30977-002
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Ohio Rev. Code 5705.41(B), states that no expenditure shall be made unless the amount has been appropriated.

During 1998, 1997, and 1996, total expenditures exceeded total appropriations in the COPSFAST Fund by roughly 53% and 43% and 31% of appropriations, respectively. In 1998, total expenditures exceeded total appropriations in the Capital Improvement Fund and the Water Deposit Trust Fund by 32% and 100% of appropriations, respectively. In 1997, total expenditures exceeded total appropriations in the State and Local Law Enforcement Assistance Fund and in the Water Deposit Fund by 100% of appropriations. Village officials should monitor expenditures against the budget more closely in order to avoid over spending.

Finding Number	1998-30977-003
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Ohio Rev. Code Section 5705.41 (D), requires that 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.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk/Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Of the expenditures, contracts and/or open purchase commitments tested, approximately 74% were not certified by the Clerk-Treasurer until the time of payment. We recommend that the Clerk-Treasurer certify for the availability of funds prior to making the expenditure or utilize the two exceptions noted above. This will help prevent the potential for over spending of resources.

**Schedule of Findings
For the Years Ended December 31, 1998, 1997 and 1996**

Finding Number	1998-30977-004
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Ohio Rev. Code Section 117.38, provides that the financial report of each office, other than a state agency, for each fiscal year shall be made in accordance with forms prescribed by rule by the Auditor of State. The report shall be certified by the proper officer or board and filed with the Auditor of State within ninety days (now 60 days)after the close of the fiscal year. At the time of filing of the report with the Auditor of State, the chief fiscal officer shall publish in a newspaper, published in the political subdivision of the taxing district, such portions of the report as prescribed by the Auditor of State, and if there is no such newspaper, then a newspaper of general circulation in the political subdivision or taxing district.

The Clerk/Treasurer did not file a financial report with the Auditor of State for the fiscal years 1998, 1997 and 1996 or publish the financial report in a newspaper of general circulation.

Finding Number	1998-30977-005
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Ohio Rev. Code Section 5705.39 states that appropriations are limited by estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources.

In 1997 appropriations exceeded the amended certificate of resources in the General Bond Retirement Fund, the Capital Improvement Fund and the Water Fund by \$5,881, \$49,562, and \$8,201, respectively. Failure to amend appropriations could result in over spending. The Village should amend their appropriations when actual receipts are going to be significantly less than anticipated.

Finding Number	1998-30977-006
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Ohio Rev. Code Section 5705.34, states that each taxing authority is to pass an ordinance to authorize the necessary tax levies and to certify such levies to the County Auditor before October 1st prior to the beginning of the year. For 1998 this information was certified to the County Auditor on January 20, 1998. For 1997 this information was certified to the County Auditor on January 21, 1997. No evidence was provided indicating waivers had been obtained.

Village officials should monitor compliance with the October 1 filing date and, if it cannot be met, should contact the County Auditor and obtain a waiver.

Finding Number	1998-30977-007
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Ohio Rev. Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the Official Certificate of Estimated Resources.

In 1997, estimated receipts exceeded actual receipts in the Drug Enforcement Fund, the Law Enforcement Fund, the Police Immobilization and the Fire Protection Fund by 62%, 28%, 30% and 36%, respectively. In 1996, estimated receipts exceeded actual receipts in the CDBG Fund and the Fire Protection Fund by 4% and 26%, respectively.

We recommend that the Village Clerk/Treasurer obtain an amended certificate of estimated resources from the County Auditor when actual receipts are anticipated to be significantly less than expected.

**Schedule of Findings
For the Years Ended December 31, 1998, 1997 and 1996**

Finding Number	1998-30977-008
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Ohio Rev. Code Section 5705.10 states in part that money paid into any fund shall be used only for the purposes for which such fund is established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Debt Service Fund experienced negative fund balances in 1998, 1997 and 1996.

We recommend the Clerk/Treasurer and Village Council transfer monies from the general fund to avoid negative fund balances.

Finding Number	1998-30977-009
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Ohio Rev. Code Section 5705.16, establishes guidelines pertaining to interfund transfers that are not specified as allowable transfers pursuant to Ohio Revised Code Section 5705.14. Before an interfund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board and such taxing authority shall prepare a petition to be presented to the Tax Commissioner and to the Court of Common Pleas of the county, requesting approval for said transfer(s).

Of the interfund transfers tested, approximately 45% were not allowable. The Village made interfund transfers of \$19,572 during 1996 from the Emergency Medical Services Fund to the Firefighters Wage Accrual Fund; \$8,000 from the Water Fund to the Water Contingency Fund; and \$174,434 from the Income Tax Fund to the Capital Improvement Fund. These transfers required a petition to be presented to the Tax Commissioner and to the Court of Common Pleas of the county in order to be properly approved. However, such approvals were not received and the transfers were reversed under audit. We recommend that the Village obtain the proper approval when making interfund transfers.

Finding Number	1998-30977-010
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Ohio Admin. Code Section 117-5-01 requires that the Uniform System of Accounting prescribed pursuant to Ohio Admin. Code Sections 117-5-01 to 117-5-18, be employed by villages on the cash basis of accounting.

During 1998, 1997 and 1996, the Village did not employ the Uniform System of Accounting. The Village did not post activity to its Cash Journal, Receipt Ledger and Appropriation/Expenditure Journal by detail or by fund as prescribed by the Ohio Admin. Code. When monies were received, the Village did not post each receipt to the Cash Journal contrary to Ohio Admin. Code Section 117-5-09. Additionally, expenditures were not posted to the appropriations journal in a timely manner contrary to Ohio Admin. Code Section 117-5-11. Many of the Village reports were not completed in a timely fashion and had to be reconstructed by the Auditor of State's Local Government Services Division. Financial activity should be posted to the accounting records in a timely manner. Reliable, timely financial information is essential to the Village Council for managing Village activities. Without accurate, reliable, and timely information, Village Council may not be able to accurately plan for the future needs of the Village.

**Schedule of Findings
For the Years Ended December 31, 1998, 1997 and 1996**

Finding Number	1998-30977-011
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For the years ended December 1998, 1997 and 1996, the Village's accounting records were maintained in a manner such that interim summary financial activity and annual financial statements were not available for audit. The Village had to hire consultants to reconstruct the accounting records (aggregate financial activity by month and year in order to prepare summary records of financial activity and annual financial statements after the fact). In addition, bank reconciliations were not performed on a timely basis. Providing current and reliable financial information is essential to the Council for management and future planning.

The posting of financial activity should be performed accurately and in a timely fashion, and bank reconciliations should be performed monthly, including reconciliations between bank balances and book balances.

To help ensure that accurate financial information is provided, at a minimum, we recommend that the Clerk/Treasurer and Council develop, implement, and monitor the following control procedures for assurance as to the timeliness and reliability of financial information.

- # Review and approve monthly financial statement information in a timely manner
- # Review information such as long outstanding items and unusual or significant accounting entries

- # Establish and adhere to policies and procedures governing the "general ledger" pursuant to the Ohio Admin. Code Sections 117-5-01 through 117-5-18. These policies and procedures include such things as processing journal entries in a timely fashion, proper cut-off, supervisory approvals, etc.
- # Review account reconciliations timely, including clearance of reconciling items on bank account reconciliations to help ensure accounts are reconciled accurately and in a timely manner
- # Develop and implement monitoring procedures to help ensure that transactions are properly recorded and also recorded in the proper period
- # Develop and implement monitoring procedures to help ensure that all financial activity for the period, is reflected in the financial statements
- # Develop and implement procedures regarding the payment of financial obligations to avoid overpayment of bills and help eliminate late payments, fines and penalties

These procedures will help improve the timeliness and accuracy of financial information provided to the Village Council and also improve the financial record keeping of the Village.



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VILLAGE OF LAKEMORE

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2000**