

***VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Lakeview
125 N. Main Street
Lakeview, Ohio 43331

We have reviewed the *Report of Independent Accountants* of the Village of Lakeview, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lakeview is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 2, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 & 2004**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005	3
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances- Proprietary Fund Type and Similar Fiduciary Fund Type- For the Year Ended December 31, 2005	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances- Proprietary Fund Type and Similar Fiduciary Fund Type- For the Year Ended December 31, 2004	6
Notes to the Financial Statements	7-16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	17-18
Schedule of Findings	19-20
Schedule of Prior Audit Findings	21

Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Lakeview
Logan County
125 N. Main Street
Lakeview, Ohio 43331

To Village Council:

We have audited the accompanying financial statements of the Village of Lakeview, Logan County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Income tax receipts reported in the Village's Special Revenue 1% Income Tax Fund are processed by a service organization that is independent of the Village. This service organization did not provide us with evidence regarding the design or proper operation of its internal control system. As a result, we were unable to perform procedures to satisfy ourselves as to the processing of the income tax receipts in the amount of \$167,340 during 2005, and \$149,364 during 2004, which represent 100% of the receipts reported in the Special Revenue Fund Type line item Municipal Income Tax in the Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances- All Governmental Fund Types.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding income tax receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lakeview, Logan County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
June 20, 2007

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property Taxes	\$ 29,582	\$ 5,858	\$ -	\$ 35,440
Municipal Income Tax	-	167,340	-	167,340
Intergovernmental	60,766	53,172	-	113,938
Charges for Services	114,090	1,000	-	115,090
Fines, Licenses and Permits	12,827	20	-	12,847
Interest	18,094	-	-	18,094
Other	26,323	-	-	26,323
Total Receipts	261,682	227,390	-	489,072
Disbursements:				
Security of Persons & Property	75,126	-	-	75,126
Leisure Time Activities	-	170	-	170
Basic Utility Services	3,717	320	-	4,037
Transportation	2,671	57,810	-	60,481
General Government	107,910	26,738	-	134,648
Capital Outlay	-	43,318	35	43,353
Debt Service:				
Principal Retirement	2,316	70,000	-	72,316
Interest	336	22,425	-	22,761
Total Disbursements	192,076	220,781	35	412,892
Total Receipts Over/(Under)				
Disbursements	69,606	6,609	(35)	76,180
Fund Cash Balance, January 1, 2005	24,514	134,737	35	159,286
Fund Cash Balance, December 31, 2005	\$ 94,120	\$ 141,346	\$ -	\$ 235,466

See Accompanying Notes to the Financial Statements.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
For the Year Ended December 31, 2005

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Receipts:			
Charges for Services	\$ 1,275,656	\$ -	\$ 1,275,656
Total Receipts	<u>1,275,656</u>	<u>-</u>	<u>1,275,656</u>
Disbursements:			
Personal Services	162,534	-	162,534
Employee Fringe Benefits	67,826	-	67,826
Contractual Services	719,416	-	719,416
Material and Supplies	59,722	-	59,722
Total Disbursements	<u>1,009,498</u>	<u>-</u>	<u>1,009,498</u>
Excess of Receipts Over/(Under) Disbursements	<u>266,158</u>	<u>-</u>	<u>266,158</u>
Non-Operating Receipts:			
Property and Other Local Taxes	19,944		19,944
Special Asssments	13,407	-	13,407
Fines and Forfeitures	-	1,675	1,675
Total Non-Operating Receipts	<u>33,351</u>	<u>1,675</u>	<u>35,026</u>
Non-Operating Disbursements:			
Debt Service			
Principal Retirement	(89,726)	-	(89,726)
Interest and Fiscal Charges	(23,423)	-	(23,423)
Capital Outlay	(33,674)		(33,674)
Distribution of Fines and Forfeitures	-	(1,675)	(1,675)
Total Nonoperating Disbursements	<u>(146,823)</u>	<u>(1,675)</u>	<u>(148,498)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	<u>152,686</u>	<u>-</u>	<u>152,686</u>
Fund Cash Balance, January 1, 2005	<u>848,991</u>	<u>-</u>	<u>848,991</u>
Fund Cash Balance, December 31, 2005	<u>\$ 1,001,677</u>	<u>\$ -</u>	<u>\$ 1,001,677</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property Taxes	\$ 28,174	\$ 6,631	\$ -	\$ 34,805
Municipal Income Tax	-	149,364	-	149,364
Intergovernmental	55,487	51,431	-	106,918
Charges for Services	105,932	2,100	-	108,032
Fines, Licenses and Permits	18,297	1,630	-	19,927
Interest	23,018	-	-	23,018
Other	35,918	-	-	35,918
Total Receipts	266,826	211,156	-	477,982
Disbursements:				
Security of Persons & Property	207,725	-	-	207,725
Leisure Time Activities	-	797	-	797
Community Environment	10,495	-	-	10,495
Basic Utility Services	3,321	1,862	-	5,183
Transportation	3,668	55,197	-	58,865
General Government	127,429	32,740	-	160,169
Capital Outlay	-	220,734	570,665	791,399
Debt Service:				
Principal Retirement	28,098	-	-	28,098
Interest	831	-	-	831
Total Disbursements	381,567	311,330	570,665	1,263,562
Total Receipts Over/(Under) Disbursements	(114,741)	(100,174)	(570,665)	(785,580)
Other Financing Sources/(Uses):				
Loan Proceeds	-	-	570,700	570,700
Total Other Financing Sources/(Uses)	-	-	570,700	570,700
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(114,741)	(100,174)	35	(214,880)
Fund Cash Balance, January 1, 2004	139,255	234,911	-	374,166
Fund Cash Balance, December 31, 2004	\$ 24,514	\$ 134,737	\$ 35	\$ 159,286

See Accompanying Notes to the Financial Statements.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
For the Year Ended December 31, 2004

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Totals (Memorandum Only) <u>Only</u>
Receipts:			
Charges for Services	\$ 1,201,168	\$ -	\$ 1,201,168
Fines, Licenses, and Permits	5,025	-	5,025
Total Receipts	<u>1,206,193</u>	<u>-</u>	<u>1,206,193</u>
Disbursements:			
Personal Services	186,581	-	186,581
Employee Fringe Benefits	73,903	-	73,903
Contractual Services	614,077	-	614,077
Material and Supplies	79,417	-	79,417
Total Disbursements	<u>953,978</u>	<u>-</u>	<u>953,978</u>
Excess of Receipts Over/(Under) Disbursements	<u>252,215</u>	<u>-</u>	<u>252,215</u>
Non-Operating Receipts:			
Property and Other Local Taxes	9,932	-	9,932
Special Assssemnts	25,248	-	25,248
Fines and Forfeitures	-	16,745	16,745
Total Non-Operating Receipts	<u>35,180</u>	<u>16,745</u>	<u>51,925</u>
Non-Operating Disbursements:			
Debt Service			
Principal Retirement	(89,157)	-	(89,157)
Interest and Fiscal Charges	(25,089)	-	(25,089)
Capital Outlay	(56,642)	-	(56,642)
Distribution of Fines and Forfeitures	-	(17,488)	(17,488)
Total Nonoperating Disbursements	<u>(170,888)</u>	<u>(17,488)</u>	<u>(188,376)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	<u>116,507</u>	<u>(743)</u>	<u>115,764</u>
Fund Cash Balance, January 1, 2004	<u>732,484</u>	<u>743</u>	<u>733,227</u>
Fund Cash Balance, December 31, 2004	<u>\$ 848,991</u>	<u>\$ -</u>	<u>\$ 848,991</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Lakeview, Logan County (the Village) is a body corporate and politic established for the purpose of exercising 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 electrical utilities, police protection, street maintenance and park services. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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.)

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

C. CASH

Investments are included in the fund cash balances. 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 maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction, Maintenance and Repair Fund—Receives gasoline and motor vehicle excise taxes for constructing, maintaining and repairing Village roads.
- 1% Income Tax Fund—Receives income tax collected from Village residents and those employed in the Village. The money is restricted to maintaining Village streets.

Capital Projects 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 Capital Projects Fund:

- SR 235 Construction Fund—Receives bond funds for the improvement of State Route 235.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Water Operating Fund- Receives user fees and provides for the operations of the water department.
- Electric Operating Fund- Receives user fees and provides for the operation of the electric system.

Fiduciary Fund Types: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the Village's fiduciary fund type:

Mayor's Court- This agency fund accounts for receipts and disbursements of the Mayor's Court. The Police Department and Mayor's Court were closed in 2005.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

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. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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 at December 31 was as follows:

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$411,096	\$186,977
Certificates of Deposit	<u>826,047</u>	<u>821,300</u>
Total Deposits	<u>\$1,237,143</u>	<u>\$1,008,277</u>

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

<u>Fund:</u>	<u>2005 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 249,884	\$ 261,682	\$ 11,798
Special Revenue Funds	210,200	227,390	17,190
Capital Projects Funds	-	-	-
Enterprise Funds	1,199,997	1,309,007	109,010

<u>Fund:</u>	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$ 273,398	\$ 192,076	\$ 81,322
Special Revenue Funds	344,937	220,781	124,156
Capital Projects Funds	35	35	-
Enterprise Funds	2,048,988	1,156,321	892,667

<u>Fund:</u>	<u>2004 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 280,000	\$ 266,826	\$ (13,174)
Special Revenue Funds	205,300	211,156	5,856
Capital Projects Funds	600,000	570,700	(29,300)
Enterprise Funds	1,174,000	1,241,373	67,373

<u>Fund:</u>	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$ 419,255	\$ 381,567	\$ 37,688
Special Revenue Funds	436,742	311,330	125,412
Capital Projects Funds	600,000	570,665	29,335
Enterprise Funds	1,906,484	1,124,866	781,618

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer plans. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2005.

6. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments.

Pursuant to Section 2744 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

In 2002, the Plan elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

6. RISK MANAGEMENT- (Continued)

The Plan's audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and Member's Equity at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	<u>3,329,620</u>	<u>2,748,639</u>
Member's Equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>

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

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverages significantly during the year.

7. DEBT

Debt outstanding at December 31, 2005 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
OWDA	\$ 271,336	5.39%
Ohio Public Works Commission	58,125	0.00%
American Municipal Power-Ohio Note	525,000	1.40%
Dell Lease	373	8.56%
Bond Anticipation Notes-SR 235 Project	<u>500,700</u>	8.25%
Total	<u>\$1,355,534</u>	

During 2004 Village issued Street Improvement Bond Anticipation Notes in the amount of \$570,700 to finance the State Route 235 Construction Project. The notes are general obligations of the Village.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

7. DEBT – (Continued)

Principal and interest requirements for debt outstanding at December 31, 2005 is as follows:

<u>Year Ended</u>	OWDA	OPWC	AMP- Ohio	Dell	Bank Note
2006	\$ 26,046	\$3,750	\$82,350	\$404	\$81,250
2007	26,046	3,750	81,300	-	77,950
2008	26,046	3,750	80,250	-	74,650
2009	26,046	3,750	80,200	-	71,350
2010	26,046	3,750	80,150	-	68,050
2011-2015	130,230	18,750	150,150	-	290,750
2016-2020	130,230	18,750	-	-	114,850
2021-2025	13,030	1,875	-	-	-
Subsequent	-	-	-	-	-
2031-2035	-	-	-	-	-
Total	<u>\$403,720</u>	<u>\$58,125</u>	<u>\$554,400</u>	<u>\$404</u>	<u>\$778,850</u>

8. INCOME TAX

The Village levies an income tax of 1.00 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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Lakeview
Logan County
126 N. Main Street
Lakeview, Ohio 43331

To Village Council:

We have audited the financial statements of the Village of Lakeview, Logan County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 20, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and wherein we noted that we were not able to perform procedures to satisfy ourselves as to the processing of income tax receipts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 an opinion 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. Reportable conditions are described in the accompanying schedule of audit findings as items 2005-LAKE-01 through 2005-LAKE-02.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses. We also noted other matters involving internal control over financial reporting that we have reported to management of the Village in a separate letter dated June 20, 2007.

Compliance and Other Matters

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, grant agreements and other matters, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris and Associates, Inc.

June 20, 2007

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2005 and 2004**

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

Finding Number 2005-LAKE-01-Reportable Condition/Material Weakness

The Village has delegated the collection of income tax revenue, which is a significant accounting function, to a third-party administrator. However, the Village has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that income tax revenues have not been completely and accurately collected in accordance with the Village income tax ordinance. The Village receives a monthly report from the Tax Administrator, but there is no indication that the report is reviewed and/or approved by Council. In addition, the Village contract with the Tax Administrator does not indicate specific reports to be provided to Council.

We recommend the Village implement procedures to monitor the Tax Administrator. We also recommend that the Village require the Tax Administrator to obtain an annual Tier II SAS 70 audit and to provide the Village with a copy of that audit on a timely basis.

Management indicated that the cost of the Tier II SAS 70 audit was prohibitive when compared to the fees collected by the Tax Administrator.

Finding Number 2005-LAKE-02-Reportable Condition/Material Weakness

Bank Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. For January 1, 2004 through December 31, 2005, the Village did not resolve various differences between the adjusted bank balance and the cash and investment balance reflected in the Village's accounting records. These differences were caused because the investment balance recorded in the Village's accounting system (UAN system) was incorrectly stated. The book balance was understated by \$6,298 and \$11,047 at December 31, 2004 and 2005, respectively. The annual reports for these years were filed with the Auditor of State with these unresolved differences and the balances in this report have not been adjusted.

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

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2005 and 2004**

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

**Finding Number 2005-LAKE-02-Reportable Condition/Material Weakness-
(Continued)**

We recommend that the Village contact the Local Government Services Division of the Auditor of State's Office to obtain assistance in correcting their cash and investment balance.

Management indicated they concurred and will request assistance from the Auditor of State.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2005 and 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Finding for Recovery-Employee overpaid \$138	Yes	
2003-002	Finding for Adjustment-Improper Computer Fund Expenditures	Yes	
2003-003	ORC 5705.09-Bond proceeds deposited in Enterprise operating fund.	Yes	
2003-004	ORC 5705.39 – Appropriations exceeded available resources	Yes	
2003-005	ORC 5705.41(D)-Funds not certified	Yes	
2003-006	Reportable Condition-Council not provided monthly financials	No	Partially Corrected-Moved to Management Letter
2003-007	Reportable Condition-Mayor’s Court bank reconciliations not performed	No	Finding no longer valid-court dissolved in 2005
2003-008	Material Weakness-Income Tax Administrator not properly monitored	No	Repeated as 2005-LAKE-01



Mary Taylor, CPA
Auditor of State

VILLAGE OF LAKEVIEW

LOGAN 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
AUGUST 14, 2007