

VILLAGE OF LAKELINE
LAKE COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Lakeline
Lake County
33801 Lakeshore Boulevard
Lakeline, Ohio 44095

To the Village Council:

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

Mary Taylor, CPA
Auditor of State

September 4, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village Council
Village of Lakeline
Lake County
33801 Lakeshore Boulevard
Lakeline, Ohio 44095

To the Village Council:

We have audited the accompanying financial statements of the Village of Lakeline, Lake County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and December 31, 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lakeline, Lake County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Mary Taylor, CPA
Auditor of State

September 4, 2008

**VILLAGE OF LAKELINE
LAKE COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General Fund	Special Revenue	
Cash Receipts:			
Property Taxes	\$31,080	\$0	\$31,080
Intergovernmental	36,083	9,412	45,495
Special Assessment	0	21,788	21,788
Licenses, Permits, and Fees	1,338	0	1,338
Earnings on Investments	4,425	7,847	12,272
Other Revenue	1,236	0	1,236
	<u>74,162</u>	<u>39,047</u>	<u>113,209</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	33,132	702	33,834
Security Persons and Property	45,550	0	45,550
Basic Utility Services	2,870	0	2,870
Redemption of Principal	0	7,334	7,334
Interest and Fiscal Charges	0	3,805	3,805
	<u>81,552</u>	<u>11,841</u>	<u>93,393</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(7,390)</u>	<u>27,206</u>	<u>19,816</u>
Fund Cash Balances, January 1, 2007	<u>\$58,181</u>	<u>\$178,534</u>	<u>236,715</u>
Fund Cash Balances, December 31, 2007	<u><u>\$50,791</u></u>	<u><u>\$205,740</u></u>	<u><u>\$256,531</u></u>

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

**VILLAGE OF LAKELINE
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types		Totals (Memorandum Only)
	<u>General Fund</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$26,297	\$0	\$26,297
Intergovernmental	38,446	7,079	45,525
Special Assessments	0	21,693	21,693
Licenses, Permits, and Fees	1,926	0	1,926
Earnings on Investments	3,164	5,924	9,088
Other Revenue	427	0	427
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	70,260	34,696	104,956
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	20,721	1,150	21,871
Security Persons and Property	48,000	0	48,000
Basic Utility Services	4,669	0	4,669
Redemption of Principal	0	14,152	14,152
Interest and Fiscal Charges	0	8,040	8,040
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	73,390	23,342	96,732
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(3,130)	11,354	8,224
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1, 2006	61,311	167,180	228,491
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31, 2006	<u>\$58,181</u>	<u>\$178,534</u>	<u>\$236,715</u>

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

**VILLAGE OF LAKELINE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lakeline, Lake County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including street maintenance and building inspections. The Village contracts with City of Eastlake for fire, ambulance and police services

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The organization is:

Public Entity Risk Pool: The Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

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

B. Accounting Basis

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

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

C. Cash and Investments

The Village invested in STAR Ohio (the State Treasurer's investment pool) which is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF LAKELINE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

Sanitary Sewer Fund - This fund receives special assessment revenues used for the retirement of the Village sanitary sewer loan.

E. Budgetary Process

The Ohio Revised Code requires that each be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees 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.

2. 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.

3. 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.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF LAKELINE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	\$22,842	\$15,297
STAR Ohio	233,690	221,418
Total deposits	\$256,532	\$236,715

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio is not evidenced by securities that exist in physical or book entry form.

3. Budgetary Activity

Budgetary activity for the years ending 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,136	\$74,162	(\$23,974)
Special Revenue	34,100	39,047	4,947
Total	\$132,236	\$113,209	(\$19,027)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,785	\$81,552	\$12,233
Special Revenue	24,500	11,841	12,659
Total	\$118,285	\$93,393	\$24,892

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,188	\$70,260	\$30,072
Special Revenue	34,104	34,696	592
Total	\$74,292	\$104,956	\$30,664

**VILLAGE OF LAKELINE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,255	\$73,390	\$15,865
Special Revenue	24,050	23,342	708
Total	\$113,305	\$96,732	\$16,573

Ohio Rev. Code Section 5705.41(B) prohibits an expenditure of money unless it has been appropriated.

As of December 31, 2007 the following fund had total expenditures in excess of the amount appropriated:

	Actual	Appropriations	Excess
	<u>Disbursements</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General Government – Repairs and Maintenance of Buildings and Land	\$7,733	\$0	\$7,733

As of December 31, 2006 the following funds had total expenditures in excess of the amount appropriated:

	Actual	Appropriations	Excess
	<u>Disbursements</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General Government – Other Contractual Services	\$1,800	\$1,700	\$100
General Government – Water and Sewage	1,410	500	910
General Government – UAN Fees	1,008	600	408
General Government – Repairs and Maintenance of Buildings and Land	2,650	725	1,925
General Government – Payment to Another Political Subdivision	300	1,290	990
Special Revenue Funds:			
State Highway Fund – Tax Collections Fees	335	0	335
Sanitary Sewer Fund – Tax Collection Fees	396	350	46

4. Property Tax

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

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

**VILLAGE OF LAKELINE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax (Continued)

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 tax is being phased out by reducing the assessment rate on the property each year. House Bill 66 replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

5. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.70%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

6. Risk Management - Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

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

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

**VILLAGE OF LAKELINE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Risk Management - Risk Pool Membership (Continued)

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

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

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

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

7. Northeast Ohio Public Energy Council

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 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 2007 and 2006. Contact NOPEC at 1615 Clark Avenue, Cleveland, Ohio 44109.

8. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal Balance</u>	<u>Interest Rate</u>
O.W.D.A Loan	\$181,090	4.04%

The O.W.D.A. Loan was issued in anticipation of the collection of special assessments levied against the respective property owners for the repairs to Village sewer lines.

VILLAGE OF LAKELINE
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

8. Debt (Continued)

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

Year ending December 31:	O.W.D.A. Loans
2008	\$22,192
2009	22,192
2010	22,192
2011	22,192
2012	22,192
2013-2017	110,960
Total	<u>\$221,920</u>

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Mary Taylor, CPA

Auditor of State

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

Village Council
Village of Lakeline
Lake County
33801 Lakeshore Boulevard
Lakeline, Ohio 44095

To the Village Council:

We have audited the financial statements Village of Lakeline, Lake County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our reports thereon dated September 4, 2008, 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. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-003 and 2007-004.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-001, 2007-003 and 2007-004 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated September 4, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002 through 2007-004.

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

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

Mary Taylor, CPA
Auditor of State

September 4, 2008

**VILLAGE OF LAKELINE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Financial Reporting – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Clerk-Treasurer, and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Financial reports and revenue and expense ledgers should be reviewed to ensure they accurately reflect the financial activity of the Village. In addition, revenue and expense ledgers should be updated to reflect the amendments to the estimated revenue reported on the Official Amended Certificates of Estimated Resources and all appropriations measures approved by the Village Council.

We noted the revenue and expense ledgers were not in agreement with the Village's Official Amended Certificates of Estimated Resources and the current Council-approved appropriations measures during 2006 and 2007. Failure to update the Village's ledgers for current budgetary information could result in the Village appropriating or spending more money than is actually available for expenditure. In 2006 and 2007, the appropriations passed by the Village Council were not in agreement with the Village's accounting system in the amounts of \$5,430 and \$9,980 respectively. Also, in 2006 and 2007, the Village's accounting system was not in agreement with the certificate of estimated resources in the amounts of \$198,000 and \$263,000 respectively.

In addition, we noted the following errors which required audit adjustments:

- In 2006 and 2007, Sewer fund special assessment revenue was posted as property tax revenue in the amounts of \$9,598 and \$9,908 respectively.
- In 2006 and 2007, county auditor fees in the amount of \$418 and \$2,913 were not posted to the Village's system. As a result, general government disbursements were understated by these amounts.
- In 2006, the Village missposted \$3,805 to principal expenditures instead of interest expenditures in the Sewer special revenue fund.
- In 2006 and 2007, the Village missposted various General fund expenditures incorrectly to the public works expenditure line item instead of the general government line item in the amounts of \$5,465 and \$8,688 respectively.

We recommend the Village take appropriate measures to ensure that all financial reports and system-generated ledgers are in agreement and reflect the actual financial activity of the Village. Further, the Village should update the revenue and expense ledgers for all amendments to the estimated revenue reported on the Official Amended Certificates of Estimated Resources and all appropriations measures approved by the Village Council. Also, we recommend the Clerk-Treasurer review all transactions to ensure that every transaction is posted to the proper fund and line item.

The audited statements reflect adjustments for the matters described above.

OFFICIAL'S RESPONSE

The Village will make all audit adjustments to the Village's records and implement recommendations noted above.

**VILLAGE OF LAKELINE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

FINDING NUMBER 2007-002

Expenditures Exceeding Appropriations – Noncompliance Finding

Ohio Rev. Code Section 5705.41(B) prohibits an expenditure of money unless it has been appropriated.

As of December 31, 2007 the following object codes had total expenditures in excess of the amount appropriated by Village:

	<u>Actual Disbursements</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General Government – Repairs and Maintenance of Buildings and Land	\$7,733	\$0	\$7,733

As of December 31, 2006 the following object codes had total expenditures in excess of the amount appropriated:

	<u>Actual Disbursements</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General Government – Other Contractual Services	\$1,800	\$1,700	\$100
General Government – Water and Sewage	1,410	500	910
General Government – UAN Fees	1,008	600	408
General Government – Repairs and Maintenance of Buildings and Land	2,650	725	1,925
General Government – Payment to Another Political Subdivision	300	1,290	990
Special Revenue Funds:			
State Highway Fund – Tax Collections Fees	335	0	335
Sanitary Sewer Fund – Tax Collection Fees	396	350	46

We recommend the Village compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to ensure compliance with the above requirements. This comparison should be completed on a monthly basis at a minimum.

OFFICIAL’S RESPONSE

The Village will review the expenditures and appropriations on a monthly basis and make all necessary adjustments.

VILLAGE OF LAKELINE
LAKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006
(Continued)

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

FINDING NUMBER 2007-003

Allocation of Interest – Significant Deficiency/Material Weakness/Noncompliance Finding

Ohio Revised Code Section 135.21 provides for the allocation of interest among funds. Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds).

- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

All interest earned must be allocated to the General Fund, with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. [Article XII, Section 5a, Ohio Const. and 1982 Op. Atty Gen. No. 82-031.]
- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

During 2006 and 2007, the Village did not post interest income in accordance with the above requirements. This resulted in the following errors:

- Interest income was overstated in the General fund by \$1,159 and understated in the Street Construction, Maintenance, and Repair and Gasoline Tax special revenue funds by \$1,061 and \$98, respectively, in fiscal year 2006.
- Interest income was overstated in the General fund by \$5,732 and understated in the Street Construction, Maintenance, and Repair and Gasoline Tax special revenue funds by \$5,242 and \$490, respectively in fiscal year 2007.

We recommend the Clerk-Treasurer review all transactions to ensure that every transaction is posted to the proper fund and line item in accordance with the above requirements.

The audited statements reflect adjustments for the matters described above.

OFFICIAL'S RESPONSE

The Village will make all audit adjustments to the Village's records and implement recommendations noted above.

**VILLAGE OF LAKELINE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

FINDING NUMBER 2007-004

**Distribution of Revenue Derived from Tax Levies – Significant Deficiency/Material Weakness
Noncompliance Finding**

Ohio Rev. Code Section 5705.10(H) requires that monies paid into any fund be used only for the purposes for which such fund is established. During our testing of property tax and intergovernmental revenues we noted the following:

- Homestead and rollback revenue was not properly distributed between the General fund and the Sewer special revenue fund according to the Lake County Statements of Semi-Annual Apportionment of Taxes during 2006 and 2007. As a result, intergovernmental revenue was overstated in the General fund and understated in the Sewer fund by \$3,774 in 2006 and \$2,225 in 2007.
- Special assessment revenue was not properly distributed between the General fund and the Sewer special revenue fund according to the Lake County Statements of Semi-Annual Apportionment of Taxes during 2006 and 2007. As a result, special assessment revenue was overstated in the General fund and understated in the Sewer fund by \$11,178 in 2007. In 2006, the Village posted the Sewer fund special assessment revenue to General fund miscellaneous revenue. This resulted in an overstatement of \$12,095.

We recommend the Clerk-Treasurer review all transactions to ensure that every transaction is posted to the proper fund and line item in accordance with the above requirements.

The audited statements reflect adjustments for the matters described above.

OFFICIAL'S RESPONSE

The Village will make all audit adjustments to the Village's records and implement recommendations noted above.