

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**



Dave Yost • Auditor of State

Village Council
Village of Timberlake
11 East Shore Boulevard
Timberlake, Ohio 44095

We have reviewed the *Independent Auditors' Report* of the Village of Timberlake, Lake County, prepared by NMS Certified Public Accountants, for the audit period January 1, 2011 through December 31, 2012. 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.

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 Timberlake is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 16, 2013

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**VILLAGE OF TIMBERLAKE
LAKE COUNTY
FINANCIAL STATEMENTS**

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Independent Auditors' Report

To the Village Council
Village of Timberlake
Lake County
11 East Shore Boulevard
Timberlake, OH 44095

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Timberlake, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2012 and December 31, 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised code Section 117.38 and Ohio Administrative Code Section 117-2-03. This responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Governmental Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Timberlake, Lake County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2011 the Village of Timberlake, Lake County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Mentor, Ohio
June 24, 2013

**VILLAGE OF TIMBERLAKE
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property tax and other local taxes	\$ 280,143	\$ -	\$ 280,143
Income tax	84,600	-	84,600
Intergovernmental receipts	41,490	30,978	72,468
Fines, licenses, or permits	30,637	100	30,737
Earnings on investments	271	5	276
Other revenue	16,404	-	16,404
	<u>453,545</u>	<u>31,083</u>	<u>484,628</u>
Cash Disbursements			
Current:			
Security of persons and property	253,009	-	253,009
Public health services	5,891	-	5,891
Leisure time activities	20,471	-	20,471
Transportation	-	26,601	26,601
General government	106,308	-	106,308
Utilities	76,659	-	76,659
	<u>462,338</u>	<u>26,601</u>	<u>488,939</u>
Total cash receipts over/(under) cash disbursements	<u>(8,793)</u>	<u>4,482</u>	<u>(4,311)</u>
Fund Cash Balances, January 1, 2012	<u>308,316</u>	<u>13,450</u>	<u>321,766</u>
Fund Cash Balances:			
Restricted	-	17,932	17,932
Committed	3,600	-	3,600
Unassigned	295,923	-	295,923
	<u>299,523</u>	<u>17,932</u>	<u>317,455</u>
Fund Cash Balances, December 31, 2012	<u>\$ 299,523</u>	<u>\$ 17,932</u>	<u>\$ 317,455</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for services	\$ 25,515	\$ 4,750	\$ 30,265
Total operating cash receipts	<u>25,515</u>	<u>4,750</u>	<u>30,265</u>
Operating Cash Disbursements			
General government	-	4,650	4,650
Total operating cash disbursements	<u>-</u>	<u>4,650</u>	<u>4,650</u>
Operating income	<u>25,515</u>	<u>100</u>	<u>25,615</u>
Nonoperating Cash Receipts/(Disbursements)			
Debt service:			
Retirement of principal	(9,299)	-	(9,299)
Investment earnings	15	-	15
Total nonoperating cash receipts/ (disbursements)	<u>(9,284)</u>	<u>-</u>	<u>(9,284)</u>
Net Income	16,231	100	16,331
Fund Cash Balances, January 1, 2012	<u>20,712</u>	<u>804</u>	<u>21,516</u>
Fund Cash Balances, December 31, 2012	<u>\$ 36,943</u>	<u>\$ 904</u>	<u>\$ 37,847</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Type</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property tax and other local taxes	\$ 271,707	\$ -	\$ 271,707
Income tax	75,532	-	75,532
Intergovernmental receipts	58,277	34,904	93,181
Fines, licenses, or permits	15,483	182	15,665
Earnings on investments	271	9	280
Other revenue	65,221	-	65,221
	<u>486,491</u>	<u>35,095</u>	<u>521,586</u>
Cash Disbursements			
Current:			
Security of persons and property	247,368	-	247,368
Public health services	6,088	-	6,088
Leisure time activities	24,944	-	24,944
Transportation	-	82,947	82,947
General government	162,259	-	162,259
Utilities	84,241	-	84,241
	<u>524,900</u>	<u>82,947</u>	<u>607,847</u>
Total cash receipts under cash disbursements	<u>(38,409)</u>	<u>(47,852)</u>	<u>(86,261)</u>
Other Financing Receipts (Disbursements):			
Transfers In	-	37,115	37,115
Transfers Out	(37,115)	-	(37,115)
Total other financing receipts (disbursements)	<u>(37,115)</u>	<u>37,115</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(75,524)	(10,737)	(86,261)
Fund Cash Balances, January 1, 2011	<u>383,840</u>	<u>24,187</u>	<u>408,027</u>
Fund Cash Balances:			
Restricted	-	13,450	13,450
Unassigned	308,316	-	308,316
Fund Cash Balances, December 31, 2011	<u>\$ 308,316</u>	<u>\$ 13,450</u>	<u>\$ 321,766</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for services	\$ 14,622	\$ 5,150	\$ 19,772
Total operating cash receipts	14,622	5,150	19,772
Operating Cash Disbursements			
General government	-	5,350	5,350
Total operating cash disbursements	-	5,350	5,350
Operating income (loss)	14,622	(200)	14,422
Nonoperating Cash Receipts (Disbursements)			
Debt Service:			
Retirement of principal	(17,636)	-	(17,636)
Investment earnings	12	-	12
Total nonoperating cash receipts/ (disbursements)	(17,624)	-	(17,624)
Net Income/(Loss)	(3,002)	(200)	(3,202)
Fund Cash Balances, January 1, 2011	<u>23,714</u>	<u>1,004</u>	<u>24,718</u>
Fund Cash Balances, December 31, 2011	<u>\$ 20,712</u>	<u>\$ 804</u>	<u>\$ 21,516</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

A. Description of the Entity

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

The Village participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Plan Risk Management, Inc. (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self insurance risk management plan. Member governments pay annual contributions to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at share values the mutual fund reports.

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:

**VILLAGE OF TIMBERLAKE
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

D. Fund Accounting (Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

3. Enterprise Funds

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

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

4. Fiduciary Funds (Agency Funds)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for security deposits for the rental of Village Hall. The Village had the following significant Fiduciary Fund:

Hall Deposit Fund - The fund receives fees from the rental of the Village Hall.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object, level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations at year end are carried over to the subsequent year.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

E. Budgetary Process (Continued)

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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF TIMBERLAKE
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

F. Fund Balance (Continued)

5. Unassigned

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

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

G. 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.

2. EQUITY IN POOLED DEPOSITS 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>2012</u>	<u>2011</u>
Demand deposits	\$ 42,327	\$ 2,792
Investments:		
STAR Ohio	<u>312,975</u>	<u>340,490</u>
Total deposits and investments	<u>\$ 355,302</u>	<u>\$ 343,282</u>

Deposits: Deposits are either (1) insured by the Federal Depository 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.

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

**VILLAGE OF TIMBERLAKE
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted <u>Receipts</u>	Actual <u>Receipts</u>	<u>Variance</u>
General	\$ 445,645	\$ 453,545	\$ 7,900
Special Revenue	27,450	31,083	3,633
Enterprise	<u>25,600</u>	<u>25,530</u>	<u>(70)</u>
Total	<u>\$ 498,695</u>	<u>\$ 510,158</u>	<u>\$ 11,463</u>

2012 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation <u>Authority</u>	Budgetary <u>Disbursements</u>	<u>Variance</u>
General	\$ 574,730	\$ 462,338	\$ 112,392
Special Revenue	40,899	26,601	14,298
Enterprise	<u>52,970</u>	<u>9,299</u>	<u>43,671</u>
Total	<u>\$ 668,599</u>	<u>\$ 498,238</u>	<u>\$ 170,361</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted <u>Receipts</u>	Actual <u>Receipts</u>	<u>Variance</u>
General	\$ 437,150	\$ 486,491	\$ 49,341
Special Revenue	27,200	72,210	45,010
Enterprise	<u>43,871</u>	<u>14,634</u>	<u>(29,237)</u>
Total	<u>\$ 508,221</u>	<u>\$ 573,335</u>	<u>\$ 65,114</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation <u>Authority</u>	Budgetary <u>Disbursements</u>	<u>Variance</u>
General	\$ 763,269	\$ 562,015	\$ 201,254
Special Revenue	86,786	82,947	3,839
Enterprise	<u>43,871</u>	<u>17,636</u>	<u>26,235</u>
Total	<u>\$ 893,926</u>	<u>\$ 662,598</u>	<u>\$ 231,328</u>

4. 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 semi annual payments, the first half is due December 31. The second half is due the following June 20.

**VILLAGE OF TIMBERLAKE
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

4. PROPERTY TAX (CONTINUED)

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a 100 percent credit on the income earned outside the Village and paid to another municipality.

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

6. RETIREMENT SYSTEMS

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% and 10%, respectively of their gross salaries. The Village contributed an amount equal to 14% and 14%, respectively of participants' gross salaries for 2012 and 2011. The Village has paid all contributions required through December 31, 2012.

7. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio 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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

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

**VILLAGE OF TIMBERLAKE
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

7. RISK POOL MEMBERSHIP (CONTINUED)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$ 250,000 casualty treaty and 10% of the first \$ 1,000,000 property treaty. Members are only responsible for the self-retention (deductible) amounts which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010, respectively.

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 obligation to the Plan but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$ 13,100,381	\$ 12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$ 6,413,188</u>	<u>\$ 7,172,519</u>

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

8. SANITARY SEWER REHABILITATION PROJECT

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

The Village anticipates increased sewer usage fees will be used to pay debt service.

**VILLAGE OF TIMBERLAKE
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

8. SANITARY SEWER REHABILITATION PROJECT (CONTINUED)

Amortization of the above debt is scheduled as follows:

Year ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 10,338	\$ 2,425	\$ 12,763
2014	8,077	4,686	12,763
2015	8,301	4,462	12,763
2016	8,531	4,232	12,763
2017	8,767	3,996	12,763
Thereafter:	<u>138,711</u>	<u>27,210</u>	<u>165,921</u>
Total	<u>\$ 182,725</u>	<u>\$ 47,011</u>	<u>\$ 229,736</u>

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Governmental Auditing Standards, the financial statements of the Village of Timberlake, Lake County, Ohio (the Village) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements and have issued our report thereon dated June 24, 2013 wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted that during 2011, the Village of Timberlake, Lake County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control. We consider finding 2012-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about 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 have a direct and material effect on the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards*.

Entity's Response To Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of This Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mentor, Ohio
June 24, 2013

**VILLAGE OF TIMBERLAKE
LAKE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

**Findings Related to the Financial Statements Required to be
Reported in Accordance with GAGAS**

Finding Number 2012-001 – Significant Deficiency

The Village's 2011 records for cash receipts contained little to no documentation. For most 2011 receipts, the records contained only a handwritten receipt register and, at times, a deposit slip.

We recommend that the Village retain all information necessary to support cash receipt entries. This has subsequently been corrected in 2012.

Officials' Response:

Village officials stated the previous Clerk-Treasurer in 2011 did not keep the proper documentation relating to cash receipts.



Dave Yost • Auditor of State

VILLAGE OF TIMBERLAKE

LAKE 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 29, 2013**