



Dave Yost • Auditor of State

VILLAGE OF TIMBERLAKE
LAKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Timberlake, Lake County, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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' *Government 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, or changes in financial position 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, as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 7, 2015

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$216,284	\$0	\$216,284
Municipal Income Tax	75,004	0	75,004
Intergovernmental	76,758	32,511	109,269
Fines, Licenses and Permits	33,337	0	33,337
Earnings on Investments	102	2	104
Miscellaneous	6,163	399	6,562
<i>Total Cash Receipts</i>	<u>407,648</u>	<u>32,912</u>	<u>440,560</u>
Cash Disbursements			
Current:			
Security of Persons and Property	242,908	0	242,908
Public Health Services	5,255	0	5,255
Leisure Time Activities	3,728	0	3,728
Basic Utility Services	106,504	10,764	117,268
Transportation	0	9,405	9,405
General Government	118,643	24,991	143,634
<i>Total Cash Disbursements</i>	<u>477,038</u>	<u>45,160</u>	<u>522,198</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(69,390)</u>	<u>(12,248)</u>	<u>(81,638)</u>
<i>Fund Cash Balances, January 1</i>	<u>280,590</u>	<u>8,637</u>	<u>289,227</u>
Fund Cash Balances, December 31			
Restricted	0	3,615	3,615
Unassigned (Deficit)	211,200	(7,226)	203,974
<i>Fund Cash Balances, December 31</i>	<u><u>\$211,200</u></u>	<u><u>(\$3,611)</u></u>	<u><u>\$207,589</u></u>

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$25,662	\$0	\$25,662
Rentals	0	5,090	5,090
<i>Total Operating Cash Receipts</i>	<u>25,662</u>	<u>5,090</u>	<u>30,752</u>
Operating Cash Disbursements			
Personal Services	903	0	903
Employee Fringe Benefits	24	0	24
Return on Deposits	0	4,590	4,590
<i>Total Operating Cash Disbursements</i>	<u>927</u>	<u>4,590</u>	<u>5,517</u>
<i>Operating Income (Loss)</i>	<u>24,735</u>	<u>500</u>	<u>25,235</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	5	0	5
Principal Retirement	(9,094)	0	(9,094)
Interest and Other Fiscal Charges	(6,143)	0	(6,143)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(15,232)</u>	<u>0</u>	<u>(15,232)</u>
<i>Net Change in Fund Cash Balances</i>	9,503	500	10,003
<i>Fund Cash Balances, January 1</i>	<u>33,745</u>	<u>904</u>	<u>34,649</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$43,248</u></u>	<u><u>\$1,404</u></u>	<u><u>\$44,652</u></u>

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$218,382	\$0	\$218,382
Municipal Income Tax	89,280	0	89,280
Intergovernmental	79,356	31,159	110,515
Fines, Licenses and Permits	80,903	0	80,903
Earnings on Investments	144	3	147
Miscellaneous	6,948	131	7,079
<i>Total Cash Receipts</i>	<u>475,013</u>	<u>31,293</u>	<u>506,306</u>
Cash Disbursements			
Current:			
Security of Persons and Property	253,144	385	253,529
Public Health Services	5,637	0	5,637
Leisure Time Activities	26,052	0	26,052
Basic Utility Services	90,443	0	90,443
Transportation	0	40,203	40,203
General Government	118,670	0	118,670
<i>Total Cash Disbursements</i>	<u>493,946</u>	<u>40,588</u>	<u>534,534</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,933)</u>	<u>(9,295)</u>	<u>(28,228)</u>
<i>Fund Cash Balances, January 1</i>	<u>299,523</u>	<u>17,932</u>	<u>317,455</u>
Fund Cash Balances, December 31			
Restricted	0	8,637	8,637
Unassigned	280,590	0	280,590
<i>Fund Cash Balances, December 31</i>	<u><u>\$280,590</u></u>	<u><u>\$8,637</u></u>	<u><u>\$289,227</u></u>

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$25,746	\$0	\$25,746
Rentals	0	5,900	5,900
<i>Total Operating Cash Receipts</i>	<u>25,746</u>	<u>5,900</u>	<u>31,646</u>
Operating Cash Disbursements			
Personal Services	811	0	811
Employee Fringe Benefits	116	0	116
Basic Utility Services	28,024	0	28,024
Return on Deposits	0	5,900	5,900
<i>Total Operating Cash Disbursements</i>	<u>28,951</u>	<u>5,900</u>	<u>34,851</u>
<i>Operating Income (Loss)</i>	<u>(3,205)</u>	<u>0</u>	<u>(3,205)</u>
Non-Operating Receipts			
Earnings on Investments	7	0	7
<i>Total Non-Operating Receipts</i>	<u>7</u>	<u>0</u>	<u>7</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,198)</u>	<u>0</u>	<u>(3,198)</u>
<i>Fund Cash Balances, January 1</i>	<u>36,943</u>	<u>904</u>	<u>37,847</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$33,745</u></u>	<u><u>\$904</u></u>	<u><u>\$34,649</u></u>

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Timberlake, 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, street repair and maintenance, sewer utilities, and police services. The Village contracts with the City of Eastlake to provide fire protection services.

The Village belongs to the Ohio Plan Risk Management, Inc. jointly administered self-insurance risk management program. Note 7 to the financial statements provides additional information for this entity.

The Village participates in the Northeast Ohio Public Energy Council jointly governed organization. Note 10 to the financial statements provides additional information for this organization.

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

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

C. Deposits and Investments

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

The Village's investment account with STAR Ohio is recorded at share values the mutual funds report.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

3. Enterprise Fund

This fund accounts 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's Enterprise Fund is its Sanitary Sewer Fund, which receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds

Fiduciary funds for the Village are its 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 fees and security deposits received for the rental of the Village Hall.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

VILLAGE OF TIMBERLAKE
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (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 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 2014 and 2013 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). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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, or by State Statute.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

	<u>2014</u>	<u>2013</u>
Demand deposits	\$29,106	\$53,129
STAR Ohio	222,642	270,176
Total deposits and investments	<u>\$251,748</u>	<u>\$323,305</u>

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

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$417,729	\$407,648	(\$10,081)
Special Revenue	38,600	32,912	(5,688)
Enterprise	25,710	25,667	(43)
Fiduciary	7,000	5,090	(1,910)
Total	\$489,039	\$471,317	(\$17,722)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$503,873	\$514,725	(\$10,852)
Special Revenue	41,400	45,160	(3,760)
Enterprise	25,710	16,164	9,546
Fiduciary	7,456	4,590	2,866
Total	\$578,439	\$580,639	(\$2,200)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$441,300	\$475,013	\$33,713
Special Revenue	27,450	31,293	3,843
Enterprise	28,023	25,753	(2,270)
Fiduciary	7,000	5,900	(1,100)
Total	\$503,773	\$537,959	\$34,186

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$569,296	\$512,106	\$57,190
Special Revenue	45,243	40,588	4,655
Enterprise	28,023	28,951	(928)
Fiduciary	7,456	5,900	1,556
Total	\$650,018	\$587,545	\$62,473

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Street Construction, Maintenance and Repair Special Revenue Fund by \$10,852 and \$4,755, respectively, for the year ended December 31, 2014, and in the Sanitary Sewer Maintenance Enterprise Fund by \$928 for the year ended December 31, 2013.

Also contrary to Ohio law, at December 31, 2014, the Street Construction, Maintenance and Repair Special Revenue fund had a deficit cash balance of \$7,226.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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 one 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 Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The taxes are collected by CCA and remitted to the Village monthly.

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	<u>\$177,894</u>	2.75%

On October 29, 2009, the Village started a sanitary sewer rehabilitation project whose cost was anticipated at \$916,622. The American Recovery and Reinvestment Act of 2009 (ARRA) award amount is \$458,311 and the remaining balance funded via WPLCF Capital Grant Fund installment loan totaling \$458,311 for 20 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 of the Ohio Water Development Authority (OWDA) for 20 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
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	Principal	Interest	Total
2015	\$4,641	\$2,446	\$7,087
2016	9,474	4,700	14,174
2017	9,736	4,437	14,173
2018	10,006	4,168	14,174
2019	10,283	3,891	14,174
2020-2024	55,847	15,022	70,869
2025-2029	64,020	6,850	70,870
2030	13,887	287	14,174
Total	<u>\$177,894</u>	<u>\$41,801</u>	<u>\$219,695</u>

7. Risk Pool Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 767 members as of December 31, 2013 and 2012 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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Pool Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$13,774,304	\$13,100,381
Liabilities	<u>(7,968,395)</u>	<u>(6,687,193)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$6,413,188</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

9. Contingent Liabilities

The Village is not a defendant in any current lawsuits.

10. Jointly Governed Organization

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 over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity 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 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 2014 or 2013. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

11. Subsequent Events

Road Surface Rehabilitation Project

In June 2014, the Village was awarded a grant/loan from the Ohio Public Works Commission for Village-wide pavement improvements. Grant funds are in the amount of \$243,075 with an additional loan of \$150,000. These funds will be disbursed and the project will begin midway through 2015. The Village is also in the process of seeking an additional loan to complete this project. Repayment of the debt will be made with general operating receipts.

Trash Services

As of April 1, 2015, the Village is no longer responsible for paying for trash collection services.

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INDEPENDENT AUDITOR'S 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, Ohio 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' *Government Auditing Standards*, the financial statements of the Village of Timberlake, Lake County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 7, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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. We consider findings 2014-001 through 2014-003 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-003 through 2014-005.

Village's Responses to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

May 7, 2015

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Clerk-Treasurer, Mayor, and Village Council, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made by the Village to its financial statements and, where applicable, accounting system, for 2014:

- The activity for the Village’s Sanitary Sewer Maintenance Enterprise Fund was improperly classified as a Special Revenue Fund resulting in an adjustment to all transactions and balances of this fund;
- A prior audit adjusting entry was not posted by the Village to its accounting system, resulting in an understatement in the General Fund beginning balance and overstatement in the Special Revenue Fund beginning balance of \$6,657;
- Homestead and Rollback Intergovernmental receipts totaling \$45,525 were misposted as Property Tax receipts in the General Fund;
- Fines, Licenses and Permits receipts totaling \$21,492 and Intergovernmental receipts totaling \$371, respectively, were misposted as Miscellaneous receipts in the General Fund; and
- Improper Equity Fund Balance classifications were made in the General and Special Revenue Funds resulting in adjustments of \$37,687 and \$3,615, respectively.

The following weaknesses were noted and subsequent adjustments made by the Village to its financial statements and, where applicable, accounting system, for 2013:

- The activity for the Village’s Sanitary Sewer Maintenance Enterprise Fund was improperly classified as a Special Revenue Fund resulting in an adjustment to all transactions and balances of this fund;
- A prior audit adjusting entry was not posted by the Village to its accounting system, resulting in an understatement in the General Fund beginning balance and overstatement in the Special Revenue Fund beginning balance of \$6,657;
- Homestead and Rollback Intergovernmental receipts totaling \$45,352 were misposted as Property Tax receipts in the General Fund;
- Fines, Licenses and Permits receipts totaling \$67,058 and Intergovernmental receipts totaling \$1,483, respectively, were misposted as Miscellaneous receipts in the General Fund; and
- Improper Equity Fund Balance classifications were made in the General and Special Revenue Funds resulting in adjustments of \$18,160 and \$8,637, respectively.

Furthermore, the Village did not make updates to accounting system reports to reflect budgetary amendments:

- In 2014, appropriations were overstated by \$97,500 in the General Fund;
- In 2013, appropriations were overstated by \$6,180 and \$927 in the General and Sanitary Sewer Maintenance Funds, respectively;
- In 2014, estimated resources were overstated by \$10,271 and \$300 in the General and State Highway Maintenance and Repair Funds, respectively; and
- In 2013, estimated resources were overstated by \$17,000 and \$523 in the General and Sanitary Sewer Maintenance Funds, respectively.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001
(Continued)**

Financial Reporting – Material Weakness (Continued)

The lack of controls over the posting of financial transactions and financial reporting resulted in several errors and mispostings that required the Village to make adjustments. Failure to correctly report financial data could mislead individuals who rely on the information for decision-making purposes.

We recommend the Village take appropriate measures to ensure all financial balances in its accounting system and financial statements reflect the actual financial activity of the Village.

Officials' Response: Village officials will implement measures to ensure all financial balances in the accounting system and financial statements correspond.

FINDING NUMBER 2014-002

Payroll Time Report Approval – Material Weakness

When administering the operations over payroll, it is the responsibility of management to provide reasonable assurance that the Village's payroll internal control structure is in place and operating as designed. The payroll internal control structure is designed to ensure the information reported to management, Village Council, and outside users is accurate and complete.

In 2013, 8 of 17 employee time reports examined, all within the police department, were processed without the approval signature of the Police Chief. Contrary to the Village's payroll procedures, the Clerk-Treasurer did not question the Police Chief before processing the unapproved time reports.

Processing time reports without the required approval can result in employees being underpaid for hours actually worked, or overpaid for hours not actually worked. The latter did occur throughout 2013, as the Police Chief and another officer on the force at the time received payroll disbursements for time not worked, resulting in their termination, a criminal investigation, and their conviction and subsequent prison sentencing in court.

We recommend the Village verify department heads have approved time reports prior to issuing payroll cash disbursements.

Officials' Response: Internal changes were made in 2014 to ensure proper signatures on payroll reports and time sheets were obtained.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-003

Approval of Purchases – Noncompliance and Material Weakness

Section 238.09(b) of the Village's codified ordinances states "no purchase shall be made without the approval of the chairperson of the committee in charge of the department for which the expenditures are to be made, and such approval shall be secured prior to the making of such purchase or purchases".

Although the Village Council approves all purchases in batch at its monthly meetings, the required Committee Chair approval was not received prior to purchase in 16 of 38 disbursements tested in 2014 and 23 of 38 disbursements tested in 2013. Failure to properly approve purchases may result in improper disbursements or spending of funds the Village does not have available.

We recommend the Village adhere to the purchasing policy established in the above section of its codified ordinances.

Officials' Response: Codified ordinances are outdated and Village officials have updated legislation and procedures addressing these matters currently in draft form.

FINDING NUMBER 2014-004

Negative Cash Fund Balance – Noncompliance

Ohio Rev. Code § 5705.10(I) states money that is paid into a fund must be used only for the purposes for which such fund has been established. The existence of a deficit balance in any fund indicates that money from another fund or funds may have been used to pay the obligations of the fund carrying the deficit balance.

As of December 31, 2014, the Village had a deficit cash balance of \$7,226 in its Street Construction, Maintenance and Repair Special Revenue Fund. This fund also had a deficit cash balance of \$1,686 as of June 30, 2014.

This can result in deficit spending by the Village or other funds paying for expenditures on the deficit fund's behalf.

We recommend cash fund balances be monitored on a regular basis and transfers or advances be made from the General Fund in order to avoid deficit balances.

Officials' Response: The Village was unable to make a transfer to cover this negative balance due to accounting system errors. Software issues need to be addressed and corrected to allow for proper transfer of funds.

**VILLAGE OF TIMBERLAKE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

(Continued)

FINDING NUMBER 2014-005

Expenditures Plus Encumbrances In Excess of Appropriations – Noncompliance

Ohio Rev. Code § 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

The following funds had expenditures plus encumbrances exceeding appropriations for the following amounts:

Fund	Appropriations	Expenditures Plus Encumbrances	Variance
As of December 31, 2014:			
General Fund	\$503,873	\$514,725	\$10,852
Street Construction, Maintenance and Repair	36,000	40,755	4,755
As of December 31, 2013:			
Sanitary Sewer Maintenance	28,023	28,951	928

Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures.

We recommend the Village compare expenditures and encumbrances to appropriations prior to making expenditure commitments, and make any necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison, and amendment if necessary, should be completed on a monthly basis at a minimum.

Officials' Response: New procedures for review of budgetary requirements will be implemented.

VILLAGE OF TIMBERLAKE
LAKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Cash Receipt Documentation	Yes	Corrected

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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
MAY 19, 2015