



**Dave Yost • Auditor of State**

**Village of Lakemore  
Summit County**

**Fiscal Emergency Termination**

**Local Government Services**



Village of Lakemore, Summit County

Fiscal Emergency Termination

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For the Years Ending December 31, 2016 through December 31, 2020	

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# Dave Yost • Auditor of State

## CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Lakemore, the Auditor of State performed an analysis of the Village of Lakemore to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of Lakemore no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Lakemore and its role in the operation of the Village of Lakemore is terminated as of November 10, 2016.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Rick Justice, Mayor of the Village of Lakemore; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Kristen M. Scalise, CPA, CFE, Summit County Fiscal Officer.

DAVE YOST  
Auditor of State

November 10, 2016

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Village of Lakemore, Summit County  
Report on the Termination of the Village of Lakemore  
Financial Planning and Supervision Commission

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**Report on the Termination of the Lakemore Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission (the Commission) of the Village of Lakemore, Summit County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages six through fourteen of the report indicate that the Village has effectively implemented corrections to its financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page fourteen.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page eighteen.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Lakemore, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Lakemore, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

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## **Section 1 - Financial Accounting and Reporting System**

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Lakemore (the Village) and issued a Report on Accounting Methods, dated September 20, 2012. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

### **Budgetary System**

#### Auditor of State Comment from Report on Accounting Methods

No appropriation measure is effective until the Summit County Fiscal Officer files a certificate that the total appropriations from each fund do not exceed the total official or amended official certificate of estimated resources. The Village should ensure that this certificate is received from the Summit County Fiscal Officer in a timely manner so that the obligations are not authorized against appropriations before they actually go into effect.

#### Implemented

The Village now updates their amended certificate through the County before any permanent or amended appropriations are put in place.

#### Auditor of State Comment from Report on Accounting Methods

During 2011, the Village had deficit fund balances contrary to Section 5705.10, Revised Code. The Fiscal Officer should review the available fund balance in addition to the appropriations to ensure sufficient cash will exist in the fund when the obligation comes due.

#### Implemented

The Village has no deficit funds as of May 31, 2016. The Village now ensures that sufficient cash exists in all funds when the obligation comes due.

#### Auditor of State Comment from Report on Accounting Methods

Appropriations exceeded estimated resources in the general fund and the fire/EMS operating levy fund contrary to Section 5705.39, Revised Code. The Fiscal Officer should compare appropriations to estimated resources to determine if an appropriation request will be within estimated resources.

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Implemented

The Fiscal Officer now maintains spreadsheets that assist in tracking estimated resources and appropriations throughout the year in order to ensure compliance with Section 5705.39, Revised Code.

Auditor of State Comment from Report on Accounting Methods

Village Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission by October 1. Village Council should adopt and file the Resolution with the Budget Commission by October 1.

Implemented

Village Council accepted the Alternative Tax Budget for 2017 on July 13, 2016, and filed it with the Budget Commission on July 14, 2016.

Auditor of State Comment from Report on Accounting Methods

The Village does not have a policy governing budgetary procedures to prevent material noncompliance with the Ohio Revised Code. The Village should adopt a policy governing budgetary procedures that includes, but is not limited to: Required dates to certify tax levies, available revenue; Passage of official certificates of available revenue; Passage of annual appropriation measures; Amending or supplementing certificates of estimated resources and appropriations; Monitoring budgeted and actual revenue and expenditures.

Implemented

Village Council passed Ordinance 1559-2016 on March 7, 2016. The ordinance officially adopted an updated employee policy manual that includes written procedures for the Village's budgetary procedures to prevent material noncompliance with the Ohio Revised Code.

**Chart of Fund and Account Codes**

Auditor of State Comment from Report on Accounting Methods

The Village has established funds without proper authorization from the Auditor of State and/or outside of those allowed by State statutes. The Village should establish new funds in accordance with Section 5705.09 of the Revised Code or by request to the Office of the Auditor of State as outlined in Auditor of State Technical Bulletin 1999-006.

Implemented

Between 2012 and 2015 the Village created new funds in accordance with Section 5705.09 of the Revised Code.

**Accounting Journals and Ledgers**

Auditor of State Comment from Report on Accounting Methods

The Village does not have written month-end closing procedures which includes a list of reports to be prepared and distributed.

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Implemented

Village Council passed Ordinance 1559-2016 on March 7, 2016. The ordinance officially adopted an updated employee policy manual that includes written procedures for the Village's month-end closing procedures, including a list of reports to be prepared and distributed.

**Receipt Transactions**

Auditor of State Comment from Report on Accounting Methods

Several of the Village departments that receive cash do not have written policies to ensure the cash is collected and remitted properly. The Village should adopt a policy for each department that receives cash to ensure there are procedures for issuing receipts, safe guarding the cash until it is deposited with the bank or Fiscal Officer, and the supporting documentation that is required to be given to the Fiscal Officer to support the receipt.

Implemented

Village Council passed Ordinance 1559-2016 on March 7, 2016. The ordinance officially adopted an updated employee policy manual that includes written procedures for the collection and remittance of cash. It also sets policies for the safeguard of money, including placing the money in a safe prior to remittance. In addition, the procedure includes what supporting documentation is required to be given to the Fiscal Officer.

**Purchasing Process**

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer does not verify that new vendors have a W-9 on file. All vendors used by the Village should have a current W-9 on file before a purchase is made. The Village should have all new vendors fill out the IRS Form W-9 with all required information and the Fiscal Officer should approve the vendor before the Village makes purchases.

Implemented

The Village now requires a W-9 be on file for all new vendors before making a purchase.

Auditor of State Comment from Report on Accounting Methods

The Village does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

Implemented

The Village Fiscal Officer now checks the Auditor of State Findings for Recovery Database and prints the results of the search for all bidders on contracts.

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Auditor of State Comment from Report on Accounting Methods

Council has not passed a resolution setting the amount of blanket purchase orders as required by Section 5705.41(D) of the Ohio Revised Code. Blanket purchase orders used without Council having set a limit are not valid because the Village does not have the authority to use blanket purchase orders. Council should establish, by resolution, the maximum amount for blanket purchase orders to be issued by the Fiscal Officer.

Implemented

Village Council established, by resolution, the maximum amount for blanket purchase orders to be issued by the Fiscal Officer at \$5,000.

Auditor of State Comment from Report on Accounting Methods

“Then and Now” purchase orders in excess of \$3,000 are not being approved by Council resolution. The Village Council should approve through resolution “Then and Now” purchase orders for amounts in excess of \$3,000 within thirty days.

Implemented

Village Council now approves, by resolution, all “Then and Now” purchase orders in excess of \$3,000 issued.

Auditor of State Comment from Report on Accounting Methods

The Village does not keep minutes of bid openings for contracts. The Village should prepare and keep minutes for all bid openings.

Implemented

The Village now prepares and keeps minutes for all bid openings.

**Cash Disbursements**

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer did not prepare or file any Form 1099s for services rendered by contractors which exceeded the \$600 limit. The Fiscal Officer should ensure all non-incorporated vendors paid more than \$600 for services rendered receive a 1099. In addition, the Form 1099s should also be filed with Internal Revenue Service.

Implemented

The Fiscal Officer now prepares and files Form 1099s for all non-incorporated vendors paid more than \$600 for services rendered in a year.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer is not stamping and dating all invoices indicating the invoice was paid. The Fiscal Officer should stamp or note payment was made on invoices indicating payment by the Village.

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Implemented

The Fiscal Officer now stamps and dates all invoices indicating that the invoice has been paid by the Village.

Auditor of State Comment from Report on Accounting Methods

The Village should ensure printed check/warrant numbers and dates match information input into the UAN system.

Implemented

The Fiscal Officer now checks and ensures that all printed check/warrant numbers and dates match information that was input into the UAN system.

**Payroll Processing**

Auditor of State Comment from Report on Accounting Methods

There is no segregation of duties as the Fiscal Officer is the only one who processes and reconciles payroll and is responsible for making rate adjustments and changes to the employee master file.

Implemented

At this time, it is not financially feasible for the Village to hire a payroll clerk. Whenever there is a change in rates or other modification to the payroll system it is approved by the Mayor.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer's leave balances should be entered and tracked in the system. The Council Finance Liaison should review all leave balances.

Implemented

The Fiscal Officer's leave balances are now entered and tracked in the system. Each employee's leave information is on their pay stub. The Mayor reviews and approves leave balances each pay period. Every six months, a Leave Detail Report is printed and presented to Council for review and approval.

Auditor of State Comment from Report on Accounting Methods

The Village has not adopted a comprehensive policy addressing the security of personal information as outlined in Section 1347.05 of the Revised Code. To help ensure compliance with the Ohio Revised Code, the Village should adopt a comprehensive policy addressing the security of personal information, as outlined, to protect personal information.

Implemented

Village Council passed Ordinance 1559-2016 on March 7, 2016. The ordinance officially adopted an updated employee policy manual that includes a written policy for the safeguard of personal information as outlined in Section 1347.05 of the Revised Code.

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Auditor of State Comment from Report on Accounting Methods

The Village has an “Employees Policies and Procedures Manual”; however, it should be updated to include items such as a Village organizational chart, formal policy for hiring personnel, written job descriptions for all Village employees, accounting procedures narratives (receipts/expenditures), related party policies, etc. The Village Council should update the existing “Employees Policies and Procedures Manual”. The lack of certain formal policies and procedures creates an undefined system of accounting and reporting which could lead to a lack of segregation of duties, errors not being detected in a timely manner, and incorrect interpretations of the Village’s rules and practices.

Implemented

Village Council passed Ordinance 1559-2016 on March 7, 2016. The ordinance officially adopted an updated employee policy manual that includes a Village organizational chart, formal policy for hiring personnel, written job descriptions for all Village employees, accounting procedures narratives, related party policies, and more.

**Inventory of Capital Assets**

Auditor of State Comment from Report on Accounting Methods

The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

Implemented

Village Council passed Ordinance 1559-2016 on March 7, 2016. The ordinance officially adopted an updated employee policy manual that includes policies and procedures to account for capital assets. In addition, the Fiscal Officer now tracks the capital asset inventory using Microsoft Excel.

**Cash Management and Investing**

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer does not attend annual training provided by the State Treasurer’s Office for investments. The Fiscal Officer is exempt from this training if the Village has no investments and the Fiscal Officer files an exemption form. The exemption form has not been filed. The Fiscal Officer should file an exemption form indicating the Village has no investments and the Fiscal Officer is exempt from the training requirements.

Implemented

The Fiscal Officer filed a notice of exemption on March 31, 2016 with the State Treasurer’s office, as the Village currently has no investments.

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Auditor of State Comment from Report on Accounting Methods

The Village is not required to have an investment policy as per section 135.14 of the Revised Code. However, the Village did not file an exemption form with the State Treasurer's office indicating the Fiscal Officer is exempt from the continuing education requirement as specified in Revised Code Section 135.22.

Implemented

The Fiscal Officer filed a notice of exemption on March 31, 2016 with the State Treasurer's office, as the Village currently has no investments.

Auditor of State Comment from Report on Accounting Methods

The Village should have those financial institutions that conduct investment business with the Fiscal Officer or Village Council sign and date the investment policy. Once properly signed and dated, the Village should file a signed copy of the investment policy with the Auditor of State.

Implemented

The Village currently has no investment activity. Therefore, they do not have an updated investment policy signed, dated, and filed with the Auditor of State. The Village plans to update, sign, and file an investment policy with the Auditor of State should they begin investing in the future.

**Financial Reporting**

Auditor of State Comment from Report on Accounting Methods

Council has not defined the type or frequency of the financial information to be reported to Council. Council should document the type and frequency of financial information to be reported to it.

Implemented

Village Council passed Ordinance 1559-2016 on March 7, 2016. The ordinance officially adopted an updated employee policy manual that includes written procedures for the Village's month-end closing procedures, including a list of reports to be prepared and distributed to Council. Each Council member signs a document stating that they received the listed reports during each Council meeting.

Auditor of State Comment from Report on Accounting Methods

At the time the annual financial report is filed with the Auditor of State, the Fiscal Officer must publish in the newspaper notice of the completion of the report and that the report is available for inspection. The Village has not published completion of the report in the newspaper for 2011 and prior years.

Implemented

Notice of completion of the 2015 annual financial report and its availability for inspection was published in the newspaper on March 4, 2016.

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**Recording Official Proceedings**

Auditor of State Comment from Report on Accounting Methods

Section 731.17(A)(2) of the Revised Code requires each ordinance or resolution be read on three different days, provided the legislative authority dispenses with this rule by a vote of at least three-fourths of its members. Village Council has passed numerous ordinances and resolutions as emergency measures. This could result in Council attempting to circumvent certain laws and regulations. Council should follow the appropriate steps as they pertain to this Section and vote on suspending rules whenever they choose to pass an ordinance as an emergency only if it truly is an emergency measure.

Implemented

Village Council now does a reading of each ordinance and resolution on three different days in compliance with Section 731.17(A)(2) of the Revised Code. Ordinances and resolutions are only passed as an emergency if it truly is an emergency measure.

Auditor of State Comment from Report on Accounting Methods

Section 149.43(E)(1) of the Revised Code requires that all employees of public offices are appropriately educated about a public office's obligations under division (B) of this section, all elected officials or their appropriate designees shall attend training approved by the Attorney General as provided in section 149.43 of the Revised Code. Village Council members or their designee should obtain public records training for each term of office. If a designee is appointed, evidence of the designation should be formally documented.

Implemented

Village Council designated the Fiscal Officer to attend the Attorney General's training. The Fiscal Officer attended the training on July 11, 2016.

Auditor of State Comment from Report on Accounting Methods

Section 149.43(E)(2) of the Revised Code provides the public office shall distribute the public records policy adopted by the public office under division (E)(1) of this section to the employee of the public office who is the records custodian or records manager or otherwise has custody of the records of that office. The public office shall require that employee to acknowledge receipt of the copy of the public records policy. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The Village should obtain an acknowledgement of receipt of the public records policy from the designated records manager. The Village should create a poster describing the public records policy and post it in a conspicuous place for the public to view, such as the Village's website, the Village hall, and/or their employee manual or handbook.

Implemented

The Village's public records policy is now posted in public view at the Village municipal building as well as online.

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Auditor of State Comment from Report on Accounting Methods

The Fire Department receives monthly and annual reports from Northcoast Physicians Services and Life Force Management Inc., documenting the number of Emergency Medical Service (EMS) runs, delinquencies, and write-offs. The Village Council should review and approve within their meeting minutes all EMS reports in a timely manner. This will help ensure the proper monitoring of the Village's financial activity is taking place.

Implemented

Village Council now receives the EMS reports provided to the Fire Department at every meeting and reviews and accepts them through resolution.

Audit Report

The Village Council and Officials receive a compliance and management letter at the conclusion of each audit. The letter that accompanied the December 31, 2014 audit identified a number of noncompliance issues and several recommendations.

The findings in the audit related to the posting of receipts in the proper funds, as well as issues with amounts paid for invoices and contracts not being lawfully appropriated. The Village has addressed these issues as part of their work to correct the Report on Accounting Methods comments.

**Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions**

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

**Condition One - Default on Any Debt Obligation**

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the Village's outstanding debt as of May 31, 2016, is as follows:

Debt Issue	Year Issued	Interest Rate	Issue Amount
<b>Governmental Activities</b>			
Fire Truck Lease	2015	3.45%	\$44,905
Police Cruiser Lease	2016	3.45	38,519
Dump Truck Lease	2014	3.65	48,948
<b>Business-Type Activities</b>			
OWDA Loan - Well #5 Installation	2014	2.09	179,463
Rural Community Action Loan	2010	4.00	40,000

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We reviewed the outstanding indebtedness as of May 31, 2016. The Village had \$267,868 in outstanding debt at May 31, 2016, and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at May 31, 2016.

**Condition Two - Payment of All Payroll**

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of May 31, 2016. We reviewed Council minutes, ordinances, resolutions, and had discussions with the Fiscal Officer to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the payroll reports and the payroll bank statement to determine whether Village employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and there were sufficient fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of May 31, 2016. All employees have been paid in amounts and at the times required by ordinance.

**Condition Three - Increase in Minimum Tax Levy**

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Summit County Fiscal Officer whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2016, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Summit County Fiscal Officer indicated that the Budget Commission had not taken any action for tax year 2016 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of May 31, 2016.

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#### **Condition Four - Past Due Accounts Payable from the General Fund and all Funds**

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in the respective special funds lawfully available to pay such accounts, excluded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

The general fund had no accounts payable at May 31, 2016 that had been due and payable at least thirty days. We prepared a schedule of accounts payable (as defined above) as of May 31, 2016, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of May 31, 2016, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2016, excluding non-recurring receipts of all special funds from which such accounts are lawfully payable. No funds of the Village had a payable over 30 days past due at May 31, 2016.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of May 31, 2016. There were no payables over thirty days past due.

#### **Condition Five - Deficit Fund Balances**

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at May 31, 2016, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code, as there were no deficit fund balances at May 31, 2016.

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**Condition Six - Treasury Balances**

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its cash summary by fund for all funds as of May 31, 2016, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

Schedule I

Treasury Balances  
Ohio Revised Code Section 118.03(A)(6)  
As of May 31, 2016

	<u>Amounts at March 31, 2016</u>
<b>Bank Cash Balance</b>	
General Account	\$1,791,104
<i>Adjustments for:</i>	
Outstanding Checks	(11,981)
<i>Total Treasury Balance</i>	<u>1,779,123</u>
<b>Less: Positive Cash Fund Balances</b>	
General	440,589
Street Maintenance	37,656
Youth Activity	102
Byrne Crime Grant	70
Lakemore Fire/EMS Grants	85,907
Safe and Sober Grant	83
Drug Law Enforcement	983
Law Enforcement Trust	3,628
Permissive MVL	49,901
Police Disability and Pension	18,515
Police Immobilization	773
DUI Enforcement	829
Juvenile Youth	1
Fire/EMS Traning	4,104
Emergency Medical Services	17,418
Nuisance Abatement	513
Lakemore Emergency Medical Donations	2,310
Fire/EMS Operating Levy	92,630
Moving Ohio Forward Grant	247

(continued)

Village of Lakemore, Summit County  
Report on the Termination of the Village of Lakemore  
Financial Planning and Supervision Commission

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**Schedule I**

Treasury Balances  
Ohio Revised Code Section 118.03(A)(6)  
As of May 31, 2016 (continued)

	<u>Amounts at March 31, 2016</u>
Parks & Recreation Donations	\$4,831
CDBG All Year	28,305
Capital Improveents	1,750
Water Operations	438,736
Sewer	213,309
Trash	161,114
Storm Water	17,703
Utility Deposits	12,603
Unclaimed Monies	84,581
CRA VERA Deposits	293
Other Agency	59,139
ERA/CRA Deposits	500
Total Positive Balances	<u>1,779,123</u>
Treasury Deficiency	<u>\$0</u>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of May 31, 2016. The treasury balance less the positive fund cash balances as of May 31, 2016, did not exceed one-sixth of the treasury receipts for the year.

### **Section 3 - Financial Plan Objectives**

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

### **Section 4 - Financial Forecast**

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

Village of Lakemore, Summit County  
Report on the Termination of the Village of Lakemore  
Financial Planning and Supervision Commission

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**DISCLAIMER**

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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## **APPENDIX A**

### **Village of Lakemore Summit County**

### **Financial Forecast**

**For the Years Ending December 31, 2016 through December 31, 2020**

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Village of Lakemore, Ohio

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# Dave Yost • Auditor of State

Village Council  
Village of Lakemore  
1400 Main Street  
Lakemore, Ohio 44250

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, and changes in fund balance of the various funds of the Village of Lakemore, for the five years ending December 31, 2020. These statements are presented on the budget basis of accounting used by the Village of Lakemore rather than on generally accepted accounting principles. The Village of Lakemore's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Lakemore and the Financial Planning and Supervision Commission of Lakemore and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

DAVE YOST  
Auditor of State

September 7, 2016

**Village of Lakemore - Summit County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2013, Through 2015, Actual*  
*and Ending December 31, 2016, Through 2020, Forecasted*  
*General Fund*

	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
<b>Revenues</b>					
Property and Other Local Taxes	\$80,000	\$96,000	\$76,000	\$79,000	\$79,000
Municipal Income Taxes	823,000	878,000	908,000	904,000	563,000
Charges for Services	11,000	0	0	0	0
Fines, Licenses and Permits	51,000	39,000	42,000	59,000	59,000
Intergovernmental	179,000	154,000	167,000	163,000	163,000
Special Assessments	2,000	0	15,000	9,000	12,000
Other	22,000	32,000	57,000	37,000	37,000
Total Revenues	<u>1,168,000</u>	<u>1,199,000</u>	<u>1,265,000</u>	<u>1,251,000</u>	<u>913,000</u>
<b>Expenditures</b>					
Current:					
General Government					
Mayor					
Personal Services	10,000	5,000	5,000	3,000	3,000
Fringe Benefits	2,000	1,000	1,000	1,000	1,000
Contractual Services	2,000	1,000	1,000	2,000	2,000
Total Mayor	<u>14,000</u>	<u>7,000</u>	<u>7,000</u>	<u>6,000</u>	<u>6,000</u>
Council					
Personal Services	18,000	9,000	9,000	9,000	9,000
Fringe Benefits	3,000	2,000	2,000	2,000	2,000
Contractual Services	1,000	0	0	0	0
Materials and Supplies	0	1,000	1,000	1,000	1,000
Total Council	<u>22,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
Finance					
Personal Services	10,000	11,000	10,000	10,000	10,000
Fringe Benefits	4,000	5,000	5,000	5,000	5,000
Contractual Services	0	0	0	1,000	1,000
Materials and Supplies	1,000	1,000	2,000	4,000	4,000
Total Finance	<u>15,000</u>	<u>17,000</u>	<u>17,000</u>	<u>20,000</u>	<u>20,000</u>
Land and Buildings					
Contractual Services	71,000	55,000	56,000	75,000	76,000
Materials and Supplies	3,000	5,000	15,000	29,000	30,000
Total Land and Buildings	<u>74,000</u>	<u>60,000</u>	<u>71,000</u>	<u>104,000</u>	<u>106,000</u>
Audit/Tax Collection Fees					
Contractual Services	81,000	81,000	80,000	119,000	121,000
Solicitor					
Personal Services	14,000	14,000	10,000	0	0
Fringe Benefits	2,000	2,000	1,000	0	0
Contractual Services	4,000	6,000	1,000	12,000	12,000
Total Solicitor	<u>20,000</u>	<u>22,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
Other General Government					
Contractual Services	3,000	4,000	3,000	3,000	3,000
Other	14,000	2,000	6,000	0	0
Total Other General Government	<u>17,000</u>	<u>6,000</u>	<u>9,000</u>	<u>3,000</u>	<u>3,000</u>
Total General Government	<u>\$243,000</u>	<u>\$205,000</u>	<u>\$208,000</u>	<u>\$276,000</u>	<u>\$280,000</u>

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$79,000	\$79,000	\$79,000
563,000	563,000	563,000
0	0	0
59,000	59,000	59,000
163,000	163,000	163,000
12,000	12,000	12,000
37,000	37,000	37,000
<u>913,000</u>	<u>913,000</u>	<u>913,000</u>

3,000	3,000	3,000
1,000	1,000	1,000
2,000	2,000	2,000
<u>6,000</u>	<u>6,000</u>	<u>6,000</u>

9,000	9,000	9,000
2,000	2,000	2,000
0	0	0
1,000	1,000	1,000
<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

11,000	11,000	11,000
5,000	5,000	5,000
1,000	1,000	1,000
4,000	4,000	4,000
<u>21,000</u>	<u>21,000</u>	<u>21,000</u>

78,000	79,000	81,000
31,000	31,000	32,000
<u>109,000</u>	<u>110,000</u>	<u>113,000</u>

<u>124,000</u>	<u>126,000</u>	<u>129,000</u>
----------------	----------------	----------------

0	0	0
0	0	0
<u>12,000</u>	<u>13,000</u>	<u>13,000</u>
<u>12,000</u>	<u>13,000</u>	<u>13,000</u>

3,000	3,000	3,000
0	0	0
<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
<u>\$287,000</u>	<u>\$291,000</u>	<u>\$297,000</u>

(continued)

**Village of Lakemore - Summit County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2013, Through 2015, Actual*  
*and Ending December 31, 2016, Through 2020, Forecasted*  
*General Fund (continued)*

	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
<b>Security of Persons and Property</b>					
Police Department					
Contractual Services	\$519,000	\$496,000	\$535,000	\$537,000	\$542,000
Materials and Supplies	14,000	10,000	7,000	6,000	6,000
Total Police Department	533,000	506,000	542,000	543,000	548,000
Fire Department					
Personal Services	9,000	10,000	5,000	0	0
Fringe Benefits	5,000	1,000	2,000	0	0
Contractual Services	0	18,000	19,000	0	0
Materials and Supplies	9,000	10,000	4,000	0	0
Lease	11,000	11,000	11,000	0	0
Total Fire Department	34,000	50,000	41,000	0	0
Animal Department					
Other	1,000	1,000	1,000	1,000	1,000
Total Security of Persons and Property	568,000	557,000	584,000	544,000	549,000
<b>Leisure Time Activities</b>					
Parks					
Contractual Services	1,000	2,000	1,000	2,000	2,000
Materials and Supplies	1,000	1,000	1,000	2,000	2,000
Other	0	1,000	1,000	0	0
Total Leisure Time Activities	2,000	4,000	3,000	4,000	4,000
<b>Community Environment</b>					
Planning and Zoning					
Personal Services	1,000	3,000	4,000	5,000	5,000
Fringe Benefits	0	0	1,000	1,000	1,000
Contractual Services	4,000	2,000	2,000	1,000	1,000
Materials and Supplies	1,000	0	1,000	2,000	2,000
Total Community Environment	6,000	5,000	8,000	9,000	9,000
<b>Transportation</b>					
Other	7,000	0	0	0	0
<b>Debt Service</b>					
Principal	0	0	0	0	12,000
Interest	0	0	0	0	1,000
Total Debt Service	0	0	0	0	13,000
<b>Total Expenditures</b>	826,000	771,000	803,000	833,000	855,000
<b>Excess of Revenues Over Expenditures</b>	342,000	428,000	462,000	418,000	58,000
<b>Other Financing Sources (Uses)</b>					
Sale of Assets	10,000	0	0	0	0
Advances In	0	122,000	107,000	125,000	0
Transfers In	60,000	0	0	0	0
Advances Out	(110,000)	(11,000)	(247,000)	0	0
Transfers Out	(53,000)	(65,000)	(23,000)	(10,000)	(5,000)
<b>Total Other Financing Sources (Uses)</b>	(93,000)	46,000	(163,000)	115,000	(5,000)
<b>Changes in Fund Balance</b>	249,000	474,000	299,000	533,000	53,000
<b>Fund Balance (Deficit) Beginning of Year</b>	(842,000)	(593,000)	(119,000)	180,000	713,000
<b>Fund Balance (Deficit) End of Year</b>	<b>(\$593,000)</b>	<b>(\$119,000)</b>	<b>\$180,000</b>	<b>\$713,000</b>	<b>\$766,000</b>

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$548,000	\$553,000	\$559,000
6,000	6,000	6,000
<u>554,000</u>	<u>559,000</u>	<u>565,000</u>
0	0	0
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
0	0	0
<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<u>555,000</u>	<u>560,000</u>	<u>566,000</u>
2,000	2,000	2,000
2,000	2,000	2,000
<u>0</u>	<u>0</u>	<u>0</u>
<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
5,000	5,000	5,000
1,000	1,000	1,000
1,000	1,000	1,000
<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
<u>9,000</u>	<u>9,000</u>	<u>9,000</u>
0	0	0
<u>13,000</u>	<u>13,000</u>	<u>0</u>
<u>1,000</u>	<u>1,000</u>	<u>0</u>
<u>14,000</u>	<u>14,000</u>	<u>0</u>
<u>869,000</u>	<u>878,000</u>	<u>876,000</u>
<u>44,000</u>	<u>35,000</u>	<u>37,000</u>
0	0	0
0	0	0
0	0	0
0	0	0
<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>
<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>
39,000	30,000	32,000
<u>766,000</u>	<u>805,000</u>	<u>835,000</u>
<u>\$805,000</u>	<u>\$835,000</u>	<u>\$867,000</u>

**Village of Lakemore - Summit County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2013, Through 2015, Actual*  
*and Ending December 31, 2016, Through 2020, Forecasted*  
*Police Disability and Pension Fund*

	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
<b>Revenues</b>					
Property and Other Local Taxes	\$12,000	\$12,000	\$11,000	\$12,000	\$12,000
Intergovernmental	2,000	1,000	2,000	2,000	2,000
Total Revenues	14,000	13,000	13,000	14,000	14,000
<b>Expenditures</b>					
Current:					
Pension					
Fringe Benefits	14,000	14,000	12,000	12,000	13,000
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>0</i>	<i>(1,000)</i>	<i>1,000</i>	<i>2,000</i>	<i>1,000</i>
<b>Other Financing Sources</b>					
Transfers In	2,033	0	0	0	0
<i>Changes in Fund Balance</i>	<i>2,033</i>	<i>(1,000)</i>	<i>1,000</i>	<i>2,000</i>	<i>1,000</i>
<i>Fund Balance Beginning of Year</i>	<i>20,909</i>	<i>22,942</i>	<i>21,942</i>	<i>22,942</i>	<i>24,942</i>
<i>Fund Balance End of Year</i>	<i><u>\$22,942</u></i>	<i><u>\$21,942</u></i>	<i><u>\$22,942</u></i>	<i><u>\$24,942</u></i>	<i><u>\$25,942</u></i>

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$12,000	\$12,000	\$12,000
2,000	2,000	2,000
14,000	14,000	14,000
13,000	13,000	13,000
1,000	1,000	1,000
0	0	0
1,000	1,000	1,000
25,942	26,942	27,942
<u>\$26,942</u>	<u>\$27,942</u>	<u>\$28,942</u>

**Village of Lakemore - Summit County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2013, Through 2015, Actual*  
*and Ending December 31, 2016, Through 2020, Forecasted*  
*Emergency Medical Services Fund*

	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
<b>Revenues</b>					
Charges for Services	\$129,000	\$114,000	\$123,000	\$108,000	\$122,000
Intergovernmental	0	29,000	53,000	0	0
Total Revenues	<u>129,000</u>	<u>143,000</u>	<u>176,000</u>	<u>108,000</u>	<u>122,000</u>
<b>Expenditures</b>					
Current:					
Security of Persons and Property					
Personal Services	91,000	135,000	143,000	38,000	82,000
Fringe Benefits	8,000	19,000	22,000	5,000	6,000
Contractual Services	23,000	10,000	13,000	14,000	14,000
Materials and Supplies	14,000	16,000	16,000	7,000	7,000
Capital Outlay	0	0	35,000	0	0
Debt Service					
Principal Retirement	0	0	0	9,000	9,000
Interest and Fiscal Charges	0	0	0	1,000	1,000
<i>Total Expenditures</i>	<i>136,000</i>	<i>180,000</i>	<i>229,000</i>	<i>74,000</i>	<i>119,000</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(7,000)</i>	<i>(37,000)</i>	<i>(53,000)</i>	<i>34,000</i>	<i>3,000</i>
<b>Other Financing Sources</b>					
Transfers In	13,000	67,000	18,000	0	0
<i>Changes in Fund Balance</i>	<i>6,000</i>	<i>30,000</i>	<i>(35,000)</i>	<i>34,000</i>	<i>3,000</i>
<i>Fund Balance Beginning of Year</i>	<i>1,000</i>	<i>7,000</i>	<i>37,000</i>	<i>2,000</i>	<i>36,000</i>
<i>Fund Balance End of Year</i>	<i><u>\$7,000</u></i>	<i><u>\$37,000</u></i>	<i><u>\$2,000</u></i>	<i><u>\$36,000</u></i>	<i><u>\$39,000</u></i>

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$122,000	\$122,000	\$122,000
0	0	0
<u>122,000</u>	<u>122,000</u>	<u>122,000</u>
92,000	98,000	109,000
6,000	6,000	6,000
14,000	14,000	15,000
7,000	7,000	7,000
0	0	0
9,000	9,000	0
1,000	1,000	0
<u>129,000</u>	<u>135,000</u>	<u>137,000</u>
(7,000)	(13,000)	(15,000)
0	0	0
(7,000)	(13,000)	(15,000)
39,000	32,000	19,000
<u>\$32,000</u>	<u>\$19,000</u>	<u>\$4,000</u>

**Village of Lakemore - Summit County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2013, Through 2015, Actual*  
*and Ending December 31, 2016, Through 2020, Forecasted*  
*Fire/EMS Operating Levy Fund*

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	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
<b>Revenues</b>					
Property and Other Local Taxes	\$90,000	\$114,000	\$94,000	\$283,000	\$283,000
Intergovernmental	15,000	10,000	17,000	27,000	27,000
Total Revenues	<u>105,000</u>	<u>124,000</u>	<u>111,000</u>	<u>310,000</u>	<u>310,000</u>
<b>Expenditures</b>					
Current:					
Security of Persons and Property					
Personal Services	93,000	87,000	87,000	234,000	195,000
Fringe Benefits	7,000	11,000	8,000	55,000	56,000
Contractual Services	12,000	9,000	6,000	36,000	36,000
Materials and Supplies	20,000	14,000	9,000	23,000	23,000
Other	0	0	1,000	0	0
<i>Total Expenditures</i>	<i>132,000</i>	<i>121,000</i>	<i>111,000</i>	<i>348,000</i>	<i>310,000</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(27,000)</i>	<i>3,000</i>	<i>0</i>	<i>(38,000)</i>	<i>0</i>
<b>Other Financing Sources</b>					
Transfers In	36,000	16,000	0	0	0
<i>Changes in Fund Balance</i>	<i>9,000</i>	<i>19,000</i>	<i>0</i>	<i>(38,000)</i>	<i>0</i>
<i>Fund Balance Beginning of Year</i>	<i>10,000</i>	<i>19,000</i>	<i>38,000</i>	<i>38,000</i>	<i>0</i>
<i>Fund Balance End of Year</i>	<i>\$19,000</i>	<i>\$38,000</i>	<i>\$38,000</i>	<i>\$0</i>	<i>\$0</i>

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$283,000	\$283,000	\$283,000
27,000	27,000	27,000
<u>310,000</u>	<u>310,000</u>	<u>310,000</u>
191,000	190,000	186,000
58,000	58,000	60,000
37,000	38,000	39,000
24,000	24,000	25,000
<u>0</u>	<u>0</u>	<u>0</u>
<u>310,000</u>	<u>310,000</u>	<u>310,000</u>
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
\$0	\$0	\$0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Village of Lakemore – Summit County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Years Ending December 31, 2016, through 2020*

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**Note 1 - The Village**

The Village of Lakemore (the Village) is located in Summit County, Ohio. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Lakemore must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years.

On August 31, 2010, the Auditor of State's office declared the Village of Lakemore to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the Village, Council President, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. The Village has 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Lakemore provides various services and consists of many different activities and smaller accounting entities. Among those included are a fire department, water and sewer operations, street maintenance, and a staff to provide the necessary support to these service providers. Each of these activities and entities is under the direct control of Village Council, which appropriates for, and finances, their operation. The administration includes the Mayor and the Fiscal Officer.

**Note 2 - Nature of Presentation**

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of September 7, 2016, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. These funds include the general fund, police disability and pension fund, emergency medical services fund, and fire/EMS operating levy fund.

**Note 3 - Summary of Significant Accounting Policies**

**A. Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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**B. Fund Accounting**

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

**General Fund** - The General Fund is the operating fund of the Village and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred in accordance with Ohio law.

**Special Revenue Funds** - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

**Debt Service Funds** - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to the disbursement of principal, interest, and related costs.

**Capital Projects Funds** - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

**Permanent Funds** - Permanent funds account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the Village or its residents.

**Proprietary Funds**

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Internal Service Funds** - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost-reimbursement basis.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis

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of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

**Estimated Resources** - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**Appropriations** - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

**Encumbrances** - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

#### **D. Property, Plant and Equipment**

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

#### **Note 4 - General Revenue Assumptions - All Funds**

##### **A. Property Taxes**

Property tax revenues consist of real property, public utility real and personal property. The Village may request advances from the Summit County Fiscal Officer as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2014 for taxes collected in 2015. The last triennial update took place in 2011 for taxes to be collected in 2012 with the next update scheduled for 2017 and the next reappraisal scheduled for 2020. The Village’s assessed values upon which property tax receipts were based for the last four years are as follows:

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Class of Property	2013	2014	2015	2016
Real Property	\$45,752,900	\$45,752,900	\$45,722,410	\$56,179,360
Public Utility	70,620	70,620	82,060	532,950
Total Assessed Value	<u><u>\$45,922,720</u></u>	<u><u>\$45,823,520</u></u>	<u><u>\$45,804,470</u></u>	<u><u>\$56,712,310</u></u>

The property tax revenues are generated from the inside and voted millage and receipted into the general fund as well as the police disability and pension and fire/EMS operating levy special revenue funds.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	\$2.00
Police Disability and Pension Fund	Police Pension	0.30
Fire/EMS Operating Levy Fund	Fire & EMS (2010)	2.50
Fire/EMS Operating Levy Fund	Fire & EMS (2015)	<u><u>4.25</u></u>
Total Tax Rate		<u><u>\$9.05</u></u>

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies. More information on property tax revenue is included in Note 5.

#### B. Municipal Income Taxes

The Village levies a municipal income tax of two percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows credit for income taxes paid to another municipality at rate of 50 percent. Once the Village is removed from fiscal emergency, the credit will be increased to 100 percent. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

The Village passed the tax on July 21, 1981.

All income tax revenue is credited to the general fund and is used to pay the cost of administering the tax and for the operations of the fund. Income tax revenues are expected to remain consistent throughout the forecast period due to conservative estimation, as well as the end of memorandums of understanding with the City of Akron and the City of Cuyahoga Falls that previously brought in additional income tax revenues. These memorandums of understanding were made to mitigate the impact of the taxes lost as a result of Edwin Shaw Hospital moving out of the Village and into the Cities of Akron and Cuyahoga Falls. In addition, as mentioned above, once the Village is removed from fiscal emergency, the credit for income taxes paid to another municipality will increase to 100 percent. This will cause the amount of revenue the Village receives from income taxes to decrease and is reflected in the forecast beginning in 2017.

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**C. Intergovernmental Revenues**

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. Homestead and rollback receipts have been forecasted to remain flat to remain consistent with the forecasted property tax revenues.

**Note 5 - Specific Fund Revenue Assumptions**

**A. General Fund**

**Property and Other Local Taxes** - Real property taxes are forecasted to increase slightly in 2016 due to the year-to-date amounts already received. The property values are expected to remain largely the same through 2020 after a large increase in assessed values of property within the Village between 2015 and 2016. Although the County updates or reappraises property values every three years, the Fiscal Officer believes it is unlikely that further significant increases will occur.

**Intergovernmental Revenue** - Intergovernmental revenues include local government monies, property tax allocations for rollback, homestead, and tangible personal property tax loss reimbursements, fire services, and school police officer agreements. The local government funds are distributed monthly by the State to the County and by the County Fiscal Officer to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Fiscal Officer.

Intergovernmental revenues have been largely consistent in prior years, and that is expected to continue. The largest intergovernmental revenue, local government, has been forecasted based on a three year average, which also brings it to less than the 2015 amount in an effort to be conservative. The second largest intergovernmental revenue in the general fund is the school police officer agreement, which is known to remain the same throughout the forecast period.

**Municipal Income Taxes** – Income taxes have been forecasted based on historical and year-to-date data from the Regional Income Tax Agency (RITA). In prior years, the income tax line item has included amounts received from the Cities of Akron and Cuyahoga Falls as a part of related agreements. Those agreements have come to an end and will not yield any further receipts. Income tax revenue in 2016 is forecasted to remain consistent with 2015 receipts despite the end of these agreements due to increased year-to-date revenues. For the remainder of the forecast period, RITA has estimated the Village to receive approximately \$563,000 per year in income taxes once the credit increases to 100 percent. Although the past several years have seen increases in this revenue source as the local economy has recovered, the Village is not certain that this trend will continue.

**Fines, Licenses and Permits** – Fines, licenses and permits receipts represent fines and forfeitures, cable franchise fees, and other miscellaneous fees and permits. Amounts collected for the various fines and permits have been forecasted to remain consistent throughout the forecast period. The increase from 2015 for this revenue source is due to an increase in building inspection fees and permits.

**Special Assessments** – Special assessments represent zoning violation fines, mowing fees, and delinquent water and sewer fees. Amounts collected for these purposes have been forecasted to remain consistent throughout the forecast period.

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**Other** – Other revenues consist mainly of various refunds and reimbursements which are projected to remain consistent throughout the forecast period.

**B. Police Disability and Pension Fund**

**Property and Other Local Taxes** - Real property taxes are forecasted to increase slightly in 2016 due to the year-to-date amounts already received. The property values are expected to remain largely the same throughout 2020. Although the County updates or reappraises property values every three years, the Fiscal Officer believes it is unlikely that further significant increases will occur.

**Intergovernmental Revenue** - Intergovernmental revenues include property tax allocations for rollback, homestead, and tangible personal property tax loss reimbursements. These allocations are received from the State and are based on information provided by the County Fiscal Officer. Homestead and Rollback revenues have been forecasted to remain consistent throughout the forecast period based on amounts received during 2016. This is consistent with the forecasting of property taxes.

**C. Emergency Medical Services Fund**

**Charges for Services** – Charges for services represent receipts for EMS runs from insurance companies and individuals. The income the Village will receive from EMS runs is unpredictable, depending on the number of runs done and the timing of payment. Because of this, the current year has been forecasted by pro-rating the year-to-date revenues, while subsequent forecast years were based on an average of the previous three years. The Village is aware of the downward trend in fund balance. They are committed to keeping expenditures within revenue received going forward.

**Intergovernmental** – Intergovernmental revenues were historically comprised of grants. The Village has no expectation of being awarded any grants in 2016, and this has been kept consistent throughout the forecast period since the Village is not sure whether or not they will apply for or be awarded any grants in future years.

**D. Fire/EMS Operating Levy Fund**

**Property and Other Local Taxes** – The fund was established to account for property tax receipts resulting from the 2.5 mill operating levy passed by the voters in 2010. In 2015, the voters passed an additional 4.25 mill operating levy, for a total of 6.75 mills. As a result, property tax revenues are forecasted to increase significantly for this fund in 2016, and remain consistent for the remainder of the forecast period.

**Intergovernmental Revenue** - Intergovernmental revenues include property tax allocations for rollback, homestead, and tangible personal property tax loss reimbursements. These allocations are received from the State and are based on information provided by the County Fiscal Officer. Homestead and Rollback revenues have been forecasted to remain consistent throughout the forecast period based on amounts received during 2016. This is consistent with the forecasting of property taxes.

**Note 6 - Expenditure Assumptions - All Funds**

**A. Personal Services**

Personal services include the salaries paid to the employees of the Village and to the elected Mayor and Village Council. The Village's employees, other than elected officials and the building inspector, are paid on a bi-weekly basis. The Mayor, Village Council, and building inspector are paid monthly.

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Pay rates for all employees and elected officials are set by Council by ordinance. The most recent pay rate ordinance was used to estimate raises in each position for the next five years to set future wages and salaries. No salary increases are expected for the elected officials within the forecast period.

**B. Fringe Benefits**

Fringe benefits include employer contributions to the State pension systems, workers' compensation, Medicare, vacation, sick leave, personal days and medical, prescription, eye care and dental health coverage.

All employees and/or elected officials, except firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 14 percent (the maximum) of their annual salary.

Fire Department employees participate in the Ohio Police and Fire Retirement System (OP&F). OP&F provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. Employees are required to contribute 12.25 percent (the maximum) of their annual salary and the Village is required to contribute 19.5 percent of the annual salary.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The workers' compensation rate has been forecasted to remain the same, with increases to the total as a result of salary increases.

Full-time employees are entitled to vacation leave of two to five weeks per year depending on length of service. Full-time employees earn sick leave at a rate of 4.6 hours per 80 hours in active work status.

Full-time employees are eligible to participate in the Village's medical insurance plan. The Village pays 80 percent of the insurance premiums. The Village pays 100 percent of costs for a group life insurance program that covers all employees. The Village expects insurance costs to increase an average of 2 percent per year throughout the forecast period.

**C. Contractual Services**

Contractual services include police protection, utility charges (street lighting, telephone, internet, electricity, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, and maintenance. The Village has worked to constrain spending in as many areas as possible over the last several years and plans to continue to do so in the future. Contractual services are estimated to increase by one to two percent each year through the forecast period.

**D. Materials and Supplies**

Materials and supplies expenditures include office supplies, operating supplies, fuel, and repair and maintenance costs. Materials and supplies are anticipated to increase about two percent per year from 2016 through 2020.

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**E. Debt Service**

Debt service expenditures in the general fund represent principal and interest payments on a capital lease the Village entered into for a police cruiser. In the emergency medical services fund, debt service expenditures represent principal and interest payments on a capital lease the Village entered into for a fire truck. The forecasted amounts were taken from the amortization schedules of the respective lease agreements.

**Note 7 – Transfers**

The Village expects to transfer \$5,000 and \$4,500 out of the general fund into the nuisance abatement special revenue and CRA/ERA deposits agency fund, respectively, during 2016. The transfers are for the purpose of supporting the operations of the funds. The Village expects to make transfers of \$5,000 per year throughout the forecast period from the general fund to the nuisance abatement special revenue fund for the purpose of supporting the operations of the fund.

**Note 8 - Other Funds**

When declared in fiscal emergency, the note on police facility and capital improvement funds also had deficit balances. Transfers were made from the general fund to eliminate those deficits. No activity has occurred in either fund during the past three years. The note on police facility fund carries forward a zero balance, while the capital improvement fund carries forward a balance of \$1,750. The Village does not anticipate any activity in these funds during the forecast period.

The Village has numerous other funds that account for resources that are restricted for specific purposes. All of these funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

**Note 9 - Contingencies**

**A. Litigation**

The Village is currently a party to legal proceedings. The Village is of the opinion that the ultimate disposition of the current proceedings will not have a material effect, if any, on the financial condition of the Village.

**B. Grants**

The Village received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.

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# Dave Yost • Auditor of State

VILLAGE OF LAKEMORE

SUMMIT COUNTY

## CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 10, 2016