



**Auditor of State
Betty Montgomery**

VILLAGE OF LAKEVIEW
LOGAN COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lakeview
Logan County
126 N. Main Street
P. O. Box 197
Lakeview, OH 43331

To the Members of Council:

We have audited the accompanying financial statements of the Village of Lakeview (the "Village") as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Income tax revenues reported in the Village's Special Revenue 1% Income Tax Fund are processed by a service organization that is independent of the Village. This service organization did not provide us with evidence regarding the design or proper operation of its internal control system. As a result, we were unable to perform procedures to satisfy ourselves as to the processing of the income tax revenues in the amount of \$158,666 during 2003, and \$209,236 during 2002, which represent 100% of the revenue reported in the Special Revenue Fund Type line item Property Tax and Other Local Taxes on the Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – all Governmental Fund Types.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding income tax revenues, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Members of Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 1, 2004

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$54,551	\$158,666		\$213,217
Intergovernmental Revenue	55,115	51,423	60,000	166,538
Charges for Services	125,068	1,000		126,068
Fines, Licenses, and Permits	36,472	3,635		40,107
Earnings on Investments	23,355	476		23,831
Miscellaneous	26,967			26,967
	<u>321,528</u>	<u>215,200</u>	<u>60,000</u>	<u>596,728</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	194,115			194,115
Leisure Time Activities		622		622
Basic Utilities	3,425			3,425
Transportation	77,865	37,313		115,178
General Government	140,246	24,657		164,903
Capital Outlay		361,278	60,000	421,278
Debt Service	2,230			2,230
	<u>417,881</u>	<u>423,870</u>	<u>60,000</u>	<u>901,751</u>
Total Receipts Under Disbursements	(96,353)	(208,670)		(305,023)
Fund Cash Balances, January 1	<u>235,608</u>	<u>443,581</u>		<u>679,189</u>
Fund Cash Balances, December 31	<u><u>\$139,255</u></u>	<u><u>\$234,911</u></u>		<u><u>\$374,166</u></u>

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

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,158,283		\$1,158,283
Court Receipts		31,038	31,038
	<u>1,158,283</u>	<u>31,038</u>	<u>1,189,321</u>
Operating Cash Disbursements:			
Personal Services	246,870		246,870
Contractual Services	618,491		618,491
Supplies and Materials	68,142		68,142
Capital Outlay	425,682		425,682
Court Disbursements		31,038	31,038
	<u>1,359,185</u>	<u>31,038</u>	<u>1,390,223</u>
Operating Loss	<u>(200,902)</u>		<u>(200,902)</u>
Non-Operating Cash Receipts/(Disbursements):			
Debt Service	(29,796)		(29,796)
Proceeds from Loan	675,000		675,000
Total Non-Operating Cash Receipts/(Disbursements)	<u>645,204</u>		<u>645,204</u>
Net Receipts Over Disbursements	444,302		444,302
Fund Cash Balances, January 1	<u>288,182</u>	<u>743</u>	<u>288,925</u>
Fund Cash Balances, December 31	<u><u>\$732,484</u></u>	<u><u>\$743</u></u>	<u><u>\$733,227</u></u>

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

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$59,026	\$209,236	\$268,262
Intergovernmental Revenue	59,954	46,604	106,558
Charges for Services	128,032	1,000	129,032
Fines, Licenses, and Permits	29,102	3,905	33,007
Earnings on Investments	26,358	388	26,746
Miscellaneous	11,877		11,877
	<hr/>		
Total Cash Receipts	314,349	261,133	575,482
<hr/>			
Cash Disbursements:			
Current:			
Security of Persons and Property	166,725		166,725
Leisure Time Activities		1,344	1,344
Basic Utilities	3,252		3,252
Transportation	8,286	71,349	79,635
General Government	119,080	22,222	141,302
Capital Outlay		108,209	108,209
	<hr/>		
Total Cash Disbursements	297,343	203,124	500,467
<hr/>			
Total Receipts Over Disbursements	17,006	58,009	75,015
<hr/>			
Other Financing (Disbursements):			
Other Financing Uses	(14,915)		(14,915)
<hr/>			
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	2,091	58,009	60,100
<hr/>			
Fund Cash Balances, January 1	233,517	385,572	619,089
<hr/>			
Fund Cash Balances, December 31	<u>\$235,608</u>	<u>\$443,581</u>	<u>\$679,189</u>

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

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,123,256		\$1,123,256
Court Receipts		34,895	34,895
	<u>1,123,256</u>	<u>34,895</u>	<u>1,158,151</u>
Operating Cash Disbursements:			
Personal Services	258,806		258,806
Contractual Services	617,784		617,784
Supplies and Materials	70,183		70,183
Capital Outlay	902,163		902,163
Court Disbursements		34,921	34,921
	<u>1,848,936</u>	<u>34,921</u>	<u>1,883,857</u>
Operating Deficit	<u>(725,680)</u>	<u>(26)</u>	<u>(725,706)</u>
Non-Operating Cash Receipts/(Disbursements):			
Intergovernmental	68,498		68,498
Debt Service	(28,233)		(28,233)
Other Financing Uses	(1,099)		(1,099)
	<u>39,166</u>		<u>39,166</u>
Net Receipts Under Disbursements	(686,514)	(26)	(686,540)
Fund Cash Balances, January 1	<u>974,696</u>	<u>769</u>	<u>975,465</u>
Fund Cash Balances, December 31	<u><u>\$288,182</u></u>	<u><u>\$743</u></u>	<u><u>\$288,925</u></u>

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

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lakeview, Logan County, (the "Village"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and electrical utilities, police protection and park services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax, motor vehicle tax money, storm sewer tap-in fees for constructing, maintaining and repairing Village streets and drainage.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1% Income Tax Fund – This fund is used to maintain the streets of the Village. Money is received into this fund from the income tax collected from Village residents not paying an income tax elsewhere, those employed here or earning income within the Village

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund:

Ohio Public Works Commission – This fund represents a memorandum receipt and equal disbursement for grant monies paid directly to contractors used for various Village projects.

4. Enterprise Funds

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

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

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Agency Fund:

Mayor's Court Fund – This fund accounts for receipts and disbursements of the Court.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$179,624	\$240,207
Savings Account	540,528	600,622
Certificates of deposit	387,241	127,285
Total deposits	\$1,107,393	\$968,114

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$300,000	\$321,528	\$21,528
Special Revenue	201,200	215,200	14,000
Capital Projects Funds	60,000	60,000	
Enterprise	1,827,592	1,833,283	5,691
Total	\$2,388,792	\$2,430,011	\$41,219

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$582,849	\$417,881	\$164,968
Special Revenue	623,058	423,870	199,188
Capital Projects Funds	60,000	60,000	
Enterprise	2,115,773	1,388,981	726,792
Total	<u>\$3,381,680</u>	<u>\$2,290,732</u>	<u>\$1,090,948</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$230,000	\$314,349	\$84,349
Special Revenue	178,650	261,133	82,483
Enterprise	1,099,500	1,191,754	92,254
Total	<u>\$1,508,150</u>	<u>\$1,767,236</u>	<u>\$259,086</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$440,416	\$312,258	\$128,158
Special Revenue	587,085	203,124	383,961
Enterprise	2,005,195	1,878,268	126,927
Total	<u>\$3,032,696</u>	<u>\$2,393,650</u>	<u>\$639,046</u>

During 2002, the Special Revenue Street Fund and during 2003, the General Fund had appropriations which exceeded estimated resources which violated the requirements of Ohio Rev. Code Section 5705.39.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Revenue. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 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.

6. DEBT

Debt outstanding at December 31, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$292,719	5.39%
Ohio Public Works Commission Loan	65,625	0.00%
American Municipal Power – Ohio, Inc. Note	675,000	1.40%
Ford Motor Credit Company Capital Lease	26,070	6.45%
Dell Government Leasing and Finance Capital Lease	4,717	8.56%

The Ohio Water Development Authority (“OWDA”) loan relates to a water tank project that was mandated by the Ohio Environmental Protection Agency. The loan was issued during 2001 in the amount of \$316,440. The loan is payable from user fees in semiannual installments over a period of 20 years. The loan is collateralized by water receipts and the debt is being paid through the Enterprise Debt Service Fund.

The Ohio Public Works Commission (“OPWC”) loan relates to the same project as the OWDA loan, a water tank project that was mandated by the Ohio Environmental Protection Agency. During 2001, the OPWC has approved a \$75,000 0% interest loan to the Village for this project. The loan will be repaid in semiannual installments over 20 years. The loan is collateralized by water receipts and the debt is being paid through the Enterprise Debt Service Fund.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

The American Municipal Power – Ohio, Inc. (“AMP-Ohio”) note dated February 5, 2003, relates to financing the cost of improving the Village’s electric distribution system, including the acquisition and installation of transformers and switchgear. AMP – Ohio agreed to loan the Village the sum of \$675,000 evidenced by a promissory note, renewable annually, financed with the sale of bond anticipation notes by AMP – Ohio. The Village is to pay AMP – Ohio an amount equal to the principal and interest of the bonds on the annual maturity dates. The loan is collateralized by electric receipts with the first payment due February 2, 2004.

During calendar year 2003, the Village entered into a capital lease for a period of five years with Ford Motor Credit Company for a police cruiser. The debt associated with this lease will be paid out of the General Fund. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

During calendar year 2003, the Village entered into a capital lease for a period of three years with Dell Government Leasing for four laptop computers. The debt associated with this lease will be paid out of the Mayor’s Court Computer Fund. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

Year ending December 31:	OWDA Loan	OPWC Loan	AMP-Ohio Note	Ford Motor Capital Lease	Dell Capital Lease
2004	\$ 26,046	\$ 3,750	\$ 84,450	\$ 8,003	\$ 2,313
2005	26,046	3,750	83,400	8,003	2,313
2006	26,046	3,750	82,350	8,003	577
2007	26,046	3,750	81,300	5,335	
2008	26,046	3,750	80,250		
2009-2013	130,230	18,750	310,500		
2014-2018	130,230	18,750			
2019-2021	65,142	9,375			
Total	\$455,812	\$65,625	\$722,250	\$29,344	\$ 5,203

7. RETIREMENT SYSTEMS

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' wages. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

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

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

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, the Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

	2003	2002
Assets	\$5,402,167	\$5,584,592
Liabilities	<u>(1,871,123)</u>	<u>(2,441,793)</u>
Members' Equity	<u>\$3,531,044</u>	<u>\$3,142,799</u>

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

The Village also provides health insurance for full-time employees through a private carrier. Employees pay ten (10%) of the cost.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

9. CONTINGENT LIABILITIES

There are currently no matters in litigation with the Village as defendant.

10. SIGNIFICANT CONTRACTUAL COMMITMENT

At December 31, 2003, the Village had the following significant contractual commitment:

Heater Excavating	\$114,960
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11. SUBSEQUENT EVENTS

- A. On January 19, 2004, the Village authorized the issuance of bond anticipation notes in the sum of \$600,000 to finance Phase II of the 235 Street Project.
- B. The Village is in the process of reviewing its relationship with the Lakeview Community Improvement Corporation (CIC). The purpose of this review is answer questions regarding whether or not the Village intended for the CIC to act an agent for the sale of the land donated to the CIC. As part of this review, the Village is reviewing its records to identify fund ownership of the land donated by the Village to the CIC since this may impact any decisions made by the Village and the CIC. The outcome of this review will determine whether or not the proceeds from the sale of land donated by the Village should be paid into the Village or remain with the CIC.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Lakeview
Logan County
126 N. Main Street
P.O. Box 197
Lakeview, Ohio 43331

To the Members of Council:

We have audited the accompanying financial statements of the Village of Lakeview (the "Village") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 1, 2004, wherein we noted that we were not able to perform procedures to satisfy ourselves as to the processing of income tax revenues. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 1, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-006 through 2002-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-008 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated September 1, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 1, 2004

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 and 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Findings for Recovery

Village Ordinance 93-7, "General Policies", states that "...overtime is paid to a regular, hourly rated employee for work in excess of forty (40) hours per week. Overtime will be compensated at 1½ times their regular pay, except on Thanksgiving, Christmas, or New Years Day, which will be compensated at two (2) times the regular rate of pay." During the pay period November 16, 2002 through November 29, 2002, former Police Officer Mark Bell was paid for sixteen regular hours at two times his hourly rate for work performed on Thanksgiving Day for a total of \$320 (\$10/hr x 16 hours x 2 = \$320). At his rate of \$10 per hour, this resulted in an overpayment of 8 hours totaling \$160. Also during this pay period, he was paid for four and one half hours of overtime at the regular hourly rate, which resulted in an underpayment of \$22.50. The net effect of these errors was an overpayment of \$137.50.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against, former Police Officer Mark Bell, and Linda Miller, Village Fiscal Officer, jointly and severally, and in favor of the Village of Lakeview, in the amount of \$137.50.

FINDING NUMBER 2003-002

Noncompliance / Finding for Adjustment

Ohio Rev. Code Section 1901.261 states that a municipal court may determine that for the efficient operation of the court, additional funds are required to computerize the court or to make available computerized legal research services, or to do both. Upon making a determination that additional funds are required for either or both of those purposes, the court shall include in its schedule of fees and costs under Section 1901.26 of the Revised Code, one additional fee not to exceed three dollars on the filing of each cause of action or appeal equivalent to one described in division (A), (Q), or (U) of Section 2303.20 of the Revised Code and shall direct the clerk of the court to charge the fee.

All fees collected under this Section shall be paid to the county treasurer if the court is a county-operated municipal court or to the city treasurer if the court is not a county-operated municipal court. The treasurer shall place the funds from the fees in a separate fund to be disbursed upon an order of the court in an amount not greater than the actual cost to the court of computerizing the court, procuring and maintaining computerized legal research services, or both.

During 2003, the Village had expenditures totaling \$4,154 from the Mayor's Court Computer Fund that were not for computerizing the court or procuring and maintaining computerized legal research services.

**FINDING NUMBER 2003-002
 (Continued)**

The Village has made the necessary adjustment to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect the adjustment. The adjustment had the following effect upon the respective fund type balances:

	General Fund	Special Revenue – Mayor’s Court Computer Fund
2003	(\$4,154)	\$4,154

Council should implement monitoring procedures to help ensure that mayor’s court computer fund money is expended only for allowable items.

FINDING NUMBER 2003-003

Noncompliance

Ohio Rev. Code Section 5705.09 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The proceeds of a \$675,000 bond anticipation note for improving the Village’s electric distribution system were recorded in the Enterprise Electric Operating Fund. At December 31, 2003, the Village had not spent the entire proceeds of this note.

The failure to establish a capital projects fund for these note proceeds could result in the Village illegally spending the money.

The Village should review the expenditures made from the Electric Operating Fund to verify that the entire bond anticipation note proceeds have been spent according to the debt agreement. If the Village still has note proceeds in the Electric Operating Fund, the balance should be transferred to an Enterprise Electric Capital Projects Fund. The Village should name this fund and existing Enterprise Funds so as to clearly identify the fund’s purpose.

FINDING NUMBER 2003-004

Noncompliance

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources in the following funds:

Fund	Total Appropriations	Total Estimated Resources	Variance
2003 – General Fund	\$582,849	\$531,332	\$51,517
2002 Special Revenue Street Fund	\$70,388	\$46,693	\$23,695

Appropriations in excess of estimated resources could result in deficit spending for the Village. The Village should implement monitoring procedures to help ensure that appropriations do not exceed estimated resources. In addition, no appropriation measure should become effective until the Village receives the County Auditor’s certificate.

FINDING NUMBER 2003-005

Noncompliance

Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$3,000, effective April 7, 2003, for villages may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Forty-eight percent of the tested transactions were not certified by the Fiscal Officer prior to making orders for the expenditure of Village funds. In addition, neither of the two exceptions above was utilized for these transactions. Procedures should be implemented not only to help ensure compliance with this requirement, but to help prevent the unauthorized obligation of Village funds.

FINDING NUMBER 2003-006

Reportable Condition

Monitoring of Financial Activity

To assist in the management of financial resources, a governing body should periodically review and approve financial statements. The Village Fiscal Officer did not provide Council or the Board of Public Affairs (BPA) with a financial package that showed information such as budget versus actual revenues and expenditures or bank reconciliations. By not providing Council and the BPA with financial information, errors, irregularities, compliance violations, or deviations from financial goals may not be detected in a timely manner.

The Fiscal Officer should provide Council and the BPA with a financial package that includes, but is not limited to, budget versus actual revenues and expenditures, fund balances, and monthly bank reconciliations. If it is not practical to prepare various reports, the Fiscal Officer could provide such items as a cash journal, check register, and appropriation and receipt ledgers for Council and the BPA to review. Evidence of the review and acceptance of financial reports, bank reconciliations, or journals and ledgers should be noted on the examined items or documented in the minutes.

FINDING NUMBER 2003-007

Reportable Condition

Mayor's Court Bank to Book Reconciliations

To help account for financial activity, monthly bank-to-book reconciliations should be prepared for the Mayor's Court. During 2003 and 2002, bank to book reconciliations were not prepared for the Mayor's Court. The failure to prepare monthly bank reconciliations could result in the occurrence of errors and/or irregularities that may not be detected in a timely manner. The Village has carried an unidentified balance of approximately \$750 in the Mayor's Court for several years, which may be the result of not preparing bank-to-book reconciliations.

A monthly bank-to-book reconciliation should be prepared that includes the identification of all open-items. The Mayor's Court should take the necessary steps to identify and distribute the approximate \$750 balance in its account. The Village should implement monitoring procedures to help assure the timely completion of the bank to book reconciliations.

FINDING NUMBER 2003-008

Reportable Condition / Material Weakness

Income Tax Administration

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

The Village should implement procedures to help ensure the completeness and accuracy of income tax returns processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 should provide the Village with an appropriate level of assurance that income tax returns are being processed in conformance with the Village income tax ordinance.

The Village should also specify in its contract with the third-party administrator that an annual Tier II SAS 70 audit be performed. The Village should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, the Village should only contract with a third-party administrator that will provide such a report.

In addition, the Village should specify which reports it wants to be provided and how often. Council should then review and approve all reports provided by the Tax Administrator and document evidence of such review and approval in the Village minutes.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 and 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-302436-001	Art. XII, Sec. 5a, Ohio Const. & 1982 OAG Opinion #82-031 – Improper allocation of interest.	Yes	
2002-302436-002	ORC Sec. 5705.10 & 5705.14 (C) - Illegal transfer of unexpended balance in a debt retirement fund.	Yes	
2002-302436-003	ORC Sec. 5705.41 (B) - Expenditures exceeding appropriations	Yes	
2002-302436-004	ORC Sec. 5705.41 (D) - Prior certification of funds by fiscal officer.	No	Not Corrected. Repeated as Finding Number 2003-005
2002-302436-005	Incorrect recording of financial activity	No	Not Corrected. Repeated as Management Letter Comment
2002-302436-006	Financial Reports not provided for Council	No	Not Corrected. Repeated as Finding Number 2003-006



**Auditor of State
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VILLAGE OF LAKEVIEW

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 14, 2004**