

**VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO**
*BASIC FINANCIAL STATEMENTS
(AUDITED)*

*FOR THE YEARS ENDED
DECEMBER 31, 2012 and 2011*

TRACY FAST, FISCAL OFFICER



Dave Yost • Auditor of State

Members of Village Council and Mayor
Village of Lakemore
P. O. Box 455
1400 Main Street
Lakemore, Ohio 44250

We have reviewed the *Independent Auditor's Report* of the Village of Lakemore, Summit County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lakemore is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

August 5, 2013

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**VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO**

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SUMMIT COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Lakemore
Summit County
P.O. Box 455
1400 Main Street
Lakemore, Ohio 44250

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lakemore, Summit County, Ohio, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village of Lakemore's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lakemore, Summit County, Ohio, as of December 31, 2012 and 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General fund, Permissive Motor Vehicle License Tax fund, Fire and Emergency Medical Services fund, and Street Construction Maintenance and Repair fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 5 to the financial statements, during 2011, the Village of Lakemore has elected to change its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We did not modify our opinion regarding this matter.

As discussed in Note 5 to the financial statements, during the year ended December 31, 2011, the Village of Lakemore adopted the provisions of Governmental Accounting Standard No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

The accompanying financial statements have been prepared assuming that the Village of Lakemore will continue as a going concern. As discussed in 2012 Note 16 and 2011 Note 17 to the financial statements, the Village of Lakemore has suffered recurring losses from operations and has a deficiency that raises substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. Management's plans in regard to these matters are also described in 2012 Note 16 and 2011 Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Village of Lakemore's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities, and outstanding long-term obligations. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Village of Lakemore
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Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2013, on our consideration of the Village of Lakemore's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Lakemore's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 18, 2013

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

This discussion and analysis of the Village of Lakemore financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2012 are as follows:

- Net position of governmental activities increased due to an increase in income taxes and miscellaneous revenues being slightly offset by decreases in property tax as the economy continues to recover from the economic downturn. The fund most affected by the increase in cash and cash equivalents was the general fund, which realized the greatest increase in revenues in 2012.
- The Village's governmental receipts are primarily property taxes, income taxes, intergovernmental revenues, and fines, licenses and permits. Intergovernmental revenues have decreased due to cuts in local government funding from the State of Ohio.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

Reporting the Village of Lakemore as a Whole

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Village consists of all funds, agencies, departments and offices that are not legally separated from the Village.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organizations' governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt or the levying of taxes. The Village has no component unit.

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

Governmental activities Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities The Village has four business-type activities for the provision of water, sewer, trash collection and utility deposits. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village of Lakemore Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the general fund, the permissive motor vehicle license tax, fire and emergency medical services, street construction maintenance and repair and community development block grant special revenue funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. .

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has four enterprise funds: the water fund, the sewer fund, the trash collection fund and the deposits fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village does not have any internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village of Lakemore as a Whole

Table 1 provides a summary of the Village's net position for 2012 compared to 2011 on a cash basis.

(Table 1)

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Equity in Pooled Cash and Cash Equivalents (Deficit)	<u>(\$536,900)</u>	<u>(\$860,758)</u>	<u>\$1,040,179</u>	<u>\$874,490</u>	<u>\$503,279</u>	<u>\$13,732</u>
Net Position						
Restricted for:						
Capital Outlay	\$4,438	\$4,438	\$0	\$0	\$4,438	\$4,438
Other Purposes	300,910	209,036	0	0	300,910	209,036
Unrestricted (Deficit)	<u>(842,248)</u>	<u>(1,074,232)</u>	<u>1,040,179</u>	<u>874,490</u>	<u>197,931</u>	<u>(199,742)</u>
<i>Total Net Position (Deficit)</i>	<u>(\$536,900)</u>	<u>(\$860,758)</u>	<u>\$1,040,179</u>	<u>\$874,490</u>	<u>\$503,279</u>	<u>\$13,732</u>

- Total governmental assets increased over 2011 due to management's diligent attempt to control spending.

Village of Lakemore, Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

- Net position of business-type activities increased over 2011. This increase is due to the increase in charges for services.

Table 2 reflects the changes in net position for 2012 compared to 2011 on a cash basis.

(Table 2)
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Receipts:						
<i>Program Receipts</i>						
Charges for Services	\$208,663	\$251,743	\$1,130,049	\$993,872	\$1,338,712	\$1,245,615
Operating Grants	157,312	269,853	0	0	157,312	269,853
Total Program Receipts	365,975	521,596	1,130,049	993,872	1,496,024	1,515,468
<i>General Receipts:</i>						
Property Taxes	188,454	203,240	0	0	188,454	203,240
Income Taxes	754,175	581,212	0	0	754,175	581,212
Intergovernmental	184,679	236,095	0	0	184,679	236,095
Miscellaneous	121,119	59,397	107,008	2,327	228,127	61,724
Total General Receipts	1,248,427	1,079,944	107,008	2,327	1,355,435	1,082,271
Total Receipts	1,614,402	1,601,540	1,237,057	996,199	2,851,459	2,597,739
Disbursements:						
General Government	273,991	284,411	0	0	273,991	284,411
Security of Persons and Property	867,505	916,069	0	0	867,505	916,069
Leisure Time Activities	5,333	8,995	0	0	5,333	8,995
Community Environment	3,353	13,508	0	0	3,353	13,508
Transportation	130,491	218,862	0	0	130,491	218,862
Public Health Services	371	0	0	0	371	0
Principal Retirement	6,723	37,322	0	0	6,723	37,322
Interest and Fiscal Charges	2,777	5,443	0	0	2,777	5,443
Water	0	0	323,427	270,865	323,427	270,865
Sewer	0	0	585,406	521,481	585,406	521,481
Trash Collection	0	0	161,245	197,029	161,245	197,029
Deposits	0	0	1,290	1,195	1,290	1,195
Total Disbursements	1,290,544	1,484,610	1,071,368	990,570	2,361,912	2,475,180
Change in Net Position	323,858	116,930	165,689	5,629	489,547	122,559
<i>Net Position (Deficit)</i>						
<i>Beginning of Year</i>	<u>(860,758)</u>	<u>(977,688)</u>	<u>874,490</u>	<u>868,861</u>	<u>13,732</u>	<u>(108,827)</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>(\$536,900)</u></u>	<u><u>(\$860,758)</u></u>	<u><u>\$1,040,179</u></u>	<u><u>\$874,490</u></u>	<u><u>\$503,279</u></u>	<u><u>\$13,732</u></u>

Program revenues decreased in 2012, with the majority of the decrease due to less operating grant revenues received by the Village as a result of cuts in available grant funding. The Village continues to seek out additional sources of revenue. General revenues increased from 2011, mainly from the increase in income tax revenues due to the tax credit reduction. Property taxes and intergovernmental revenues decreased as a result of the tough economic conditions.

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2012

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Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the finance office and the law department.

Security of persons and property are the costs of police and fire protection; leisure time activities are the costs of maintaining the parks and playing fields; transportation is the cost of maintaining the streets; community environment is the code enforcement officer and public health service is for animal control.

The Village made an effort to lower disbursements to help ensure positive cash balances.

Governmental and Business-Type Activities

If you look at the Statement of Activities on pages 12 and 13, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property. Transportation also represents a significant cost. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) columns compare the program receipts for governmental and business-type activities to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. A comparison between the total cost of services and the net cost for governmental and business-type activities is presented in Table 3.

(Table 3)

	Governmental Activities		Governmental Activities	
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2012	2012	2011	2011
General Government	\$273,991	\$244,678	\$284,411	\$245,466
Security of Persons and Property	867,505	658,784	916,069	576,151
Leisure Time Activities	5,333	4,763	8,995	7,958
Community Environment	3,353	2,994	13,508	11,950
Transportation	130,491	3,519	218,862	78,724
Public Health Services	371	331	0	0
Principal Retirement	6,723	6,723	37,322	37,322
Interest and Fiscal Charges	2,777	2,777	5,443	5,443
<i>Total Expenses</i>	<u>\$1,290,544</u>	<u>\$924,569</u>	<u>\$1,484,610</u>	<u>\$963,014</u>

The dependence upon income tax and other tax receipts is apparent as the majority of governmental activities are supported through these general receipts.

The Village of Lakemore Funds

Total governmental funds had receipts of \$1,614,402 and disbursements of \$1,290,544. The greatest change within governmental funds occurred within the general fund as the result of increased revenue due to a fifty percent credit reduction and charges for services from the Village making a greater effort in collections to increase revenues.

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

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Unaudited

General fund receipts were greater than disbursements indicating that the general fund is in a surplus spending situation for the current year. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

The Village's final budgeted receipts were less than actual receipts. The positive difference was due to greater than expected collections of general fund revenues, mainly due to under estimating the amount of income tax, intergovernmental, and miscellaneous revenues.

Final budgeted disbursements were more than actual disbursements. The positive difference was due to greater spending controls for general government and security of persons and property.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2012, the Village's outstanding debt included:

Table 4
Outstanding Long-Term Obligations at Year End

	<u>2012</u>	<u>2011</u>
<i>Governmental Activities Debt:</i>		
Capital Lease	\$60,150	\$66,873
<i>Business-Type Activities Debt:</i>		
OWDA Loans	\$6,324	\$13,106
Rural Community Action Loan	33,055	36,799
Total	\$39,379	\$49,905

The Ohio Water Development Authority (OWDA) loan relates to a Village Capital Improvement Fund Loan for the design of the drinking water facilities improvements.

The Rural Community Action Loan relates to the installation of a new control panel for the Village water system.

The OWDA and Rural Community Action loans will be paid with user charges from the water enterprise fund.

The Village's overall legal debt margin was \$4,765,522 with an unvoted debt margin of \$2,496,226 at December 31, 2012.

See Note 14 to the basic financial statements for additional information on the Village's debt.

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

The Village continues to seek out alternative funding in the way of grants to help our financial baseline. The Village is also seeking to continue the improvements to both the electrical and the water/sewer infrastructure to offer our citizens the services they have come to expect.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tracy Fast, Fiscal Officer, Village of Lakemore, P.O. Box 455, 1400 Main Street, Lakemore, Ohio, 44250.

Village of Lakemore, Ohio
Statement of Net Position - Cash Basis
December 31, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents (Deficit)	<u>(\$536,900)</u>	<u>\$1,040,179</u>	<u>\$503,279</u>
Net Position			
Restricted for:			
Capital Projects	\$4,438	\$0	\$4,438
Other Purposes	300,910	0	300,910
Unrestricted (Deficit)	<u>(842,248)</u>	<u>1,040,179</u>	<u>197,931</u>
<i>Total Net Position (Deficit)</i>	<u>(\$536,900)</u>	<u>\$1,040,179</u>	<u>\$503,279</u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants
Governmental Activities			
General Government	\$273,991	\$29,313	\$0
Security of Persons and Property:			
Police	562,376	58,249	2,055
Fire	305,129	118,825	29,592
Leisure Time Activities	5,333	570	0
Community Environment	3,353	359	0
Transportation	130,491	1,307	125,665
Public Health Services	371	40	0
Principal Retirement	6,723	0	0
Interest and Fiscal Charges	2,777	0	0
	<u>1,290,544</u>	<u>208,663</u>	<u>157,312</u>
Business-Type Activities			
Water	323,427	365,344	0
Sewer	585,406	581,393	0
Trash	161,245	179,212	0
Deposits	1,290	4,100	0
	<u>1,071,368</u>	<u>1,130,049</u>	<u>0</u>
<i>Total Business-Type Activities</i>	<u>1,071,368</u>	<u>1,130,049</u>	<u>0</u>
Total	<u>\$2,361,912</u>	<u>\$1,338,712</u>	<u>\$157,312</u>

General Receipts

Property Taxes Levied for:

 General Purposes

 Safety Forces

Income Taxes Levied for:

 General Purposes

Grants and Entitlements not Restricted to Specific Programs

Miscellaneous

Total General Receipts

Change in Net Position

Net Position (Deficit) Beginning of Year

Net Position (Deficit) End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$244,678)	\$0	(\$244,678)
(502,072)	0	(502,072)
(156,712)	0	(156,712)
(4,763)	0	(4,763)
(2,994)	0	(2,994)
(3,519)	0	(3,519)
(331)	0	(331)
(6,723)	0	(6,723)
(2,777)	0	(2,777)
(924,569)	0	(924,569)
0	41,917	41,917
0	(4,013)	(4,013)
0	17,967	17,967
0	2,810	2,810
0	58,681	58,681
(924,569)	58,681	(865,888)
82,354	0	82,354
106,100	0	106,100
754,175	0	754,175
184,679	0	184,679
121,119	107,008	228,127
1,248,427	107,008	1,355,435
323,858	165,689	489,547
(860,758)	874,490	13,732
(\$536,900)	\$1,040,179	\$503,279

Village of Lakemore, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2012

	<u>General</u>	<u>Permissive Motor Vehicle License Tax</u>	<u>Fire and Emergency Medical Services</u>
Assets			
Equity in Pooled Cash and Cash Equivalents (Deficit)	(\$840,390)	\$80,354	\$10,735
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	<u>84,581</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>(\$755,809)</u></u>	<u><u>\$80,354</u></u>	<u><u>\$10,735</u></u>
Fund Balances			
Nonspendable	\$84,581	\$0	\$0
Restricted	1,858	80,354	10,735
Unassigned (Deficit)	<u>(842,248)</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances (Deficit)</i>	<u><u>(\$755,809)</u></u>	<u><u>\$80,354</u></u>	<u><u>\$10,735</u></u>

See accompanying notes to the basic financial statements

Street Construction Maintenance and Repair	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
\$39,867	\$59,835	\$28,118	(\$621,481)
<u>0</u>	<u>0</u>	<u>0</u>	<u>84,581</u>
<u>\$39,867</u>	<u>\$59,835</u>	<u>\$28,118</u>	<u>(\$536,900)</u>
\$0	\$0	\$0	\$84,581
39,867	59,835	28,118	220,767
<u>0</u>	<u>0</u>	<u>0</u>	<u>(842,248)</u>
<u>\$39,867</u>	<u>\$59,835</u>	<u>\$28,118</u>	<u>(\$536,900)</u>

Village of Lakemore, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Permissive Motor Vehicle License Tax	Fire and Emergency Medical Services
Receipts			
Property Taxes	\$82,354	\$0	\$94,593
Income Taxes	740,478	0	0
Intergovernmental	198,376	4,824	29,592
Charges for Services	20,617	0	110,450
Fines, Licenses and Permits	77,596	0	0
Miscellaneous	114,989	0	555
<i>Total Receipts</i>	<u>1,234,410</u>	<u>4,824</u>	<u>235,190</u>
Disbursements			
Current:			
General Government	273,991	0	0
Security of Persons and Property:			
Police	548,588	0	0
Fire	68,780	0	236,349
Leisure Time Activities	5,333	0	0
Community Environment	3,353	0	0
Transportation	12,218	5,061	0
Public Health Services	371		
Debt Service:			
Principal Retirement	6,723	0	0
Interest and Fiscal Charges	2,777	0	0
<i>Total Disbursements</i>	<u>922,134</u>	<u>5,061</u>	<u>236,349</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>312,276</u>	<u>(237)</u>	<u>(1,159)</u>
Other Financing Sources (Uses)			
Transfer In	0	0	0
Transfer Out	(2,435)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,435)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	309,841	(237)	(1,159)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,065,650)</u>	<u>80,591</u>	<u>11,894</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$755,809)</u>	<u>\$80,354</u>	<u>\$10,735</u>

See accompanying notes to the basic financial statements

Street Construction Maintenance and Repair	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$11,507	\$188,454
0	0	0	740,478
120,841	0	2,055	355,688
0	0	0	131,067
0	0	0	77,596
5,425	0	150	121,119
<u>126,266</u>	<u>0</u>	<u>13,712</u>	<u>1,614,402</u>
0	0	0	273,991
0	0	13,788	562,376
0	0	0	305,129
0	0	0	5,333
0	0	0	3,353
113,212	0	0	130,491
0	0	0	371
0	0	0	6,723
0	0	0	2,777
<u>113,212</u>	<u>0</u>	<u>13,788</u>	<u>1,290,544</u>
<u>13,054</u>	<u>0</u>	<u>(76)</u>	<u>323,858</u>
0	0	2,435	2,435
<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,435)</u>
<u>0</u>	<u>0</u>	<u>2,435</u>	<u>0</u>
13,054	0	2,359	323,858
<u>26,813</u>	<u>59,835</u>	<u>25,759</u>	<u>(860,758)</u>
<u>\$39,867</u>	<u>\$59,835</u>	<u>\$28,118</u>	<u>(\$536,900)</u>

Village of Lakemore, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$92,118	\$90,772	\$82,354	(\$8,418)
Income Taxes	693,000	693,000	740,478	47,478
Intergovernmental	147,598	169,959	198,376	28,417
Charges for Services	0	18,621	20,617	1,996
Fines, Licenses and Permits	0	70,085	77,596	7,511
Miscellaneous	54,753	13,417	114,989	101,572
<i>Total Receipts</i>	987,469	1,055,854	1,234,410	178,556
Disbursements				
Current:				
General Government	245,829	283,721	274,642	9,079
Security of Persons and Property:				
Police	554,000	561,798	548,588	13,210
Fire	80,110	95,896	68,780	27,116
Leisure Time Activities	2,250	5,637	5,333	304
Community Environment	5,472	4,181	3,353	828
Transportation	14,295	14,295	12,218	2,077
Public Health Services	0	371	371	0
Debt Service:				
Principal Retirement	0	6,723	6,723	0
Interest and Fiscal Charges	0	2,777	2,777	0
<i>Total Disbursements</i>	901,956	975,399	922,785	50,233
<i>Excess of Receipts Over Disbursements</i>	85,513	80,455	311,625	231,170
Other Financing Uses				
Transfers Out	0	(6,935)	(2,435)	4,500
<i>Net Change in Fund Balance</i>	85,513	73,520	309,190	235,670
<i>Fund Deficit Beginning of Year</i>	(1,066,435)	(1,066,435)	(1,066,435)	0
Prior Year Encumbrances Appropriated	785	785	785	0
<i>Fund Deficit End of Year</i>	(\$980,137)	(\$992,130)	(\$756,460)	\$235,670

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual (Budget Basis)
 Permissive Motor Vehicle License Tax Fund
 For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$5,700	\$5,700	\$4,824	(\$876)
Disbursements				
Current:				
Transportation	10,000	10,000	5,061	4,939
<i>Net Change in Fund Balance</i>	(4,300)	(4,300)	(237)	4,063
<i>Fund Balance Beginning of Year</i>	80,591	80,591	80,591	0
<i>Fund Balance End of Year</i>	<u>\$76,291</u>	<u>\$76,291</u>	<u>\$80,354</u>	<u>\$4,063</u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual (Budget Basis)
 Fire and Emergency Medical Services Fund
 For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$115,091	\$113,466	\$94,593	(\$18,873)
Intergovernmental	0	0	29,592	29,592
Charges for Services	115,000	125,000	110,450	(14,550)
Miscellaneous	0	0	555	555
<i>Total Receipts</i>	230,091	238,466	235,190	(3,276)
Disbursements				
Current:				
Security of Persons and Property:				
Fire	238,968	269,648	237,449	32,199
<i>Net Change in Fund Balance</i>	(8,877)	(31,182)	(2,259)	28,923
<i>Fund Balance Beginning of Year</i>	10,520	10,520	10,520	0
Prior Year Encumbrances Appropriated	1,374	1,374	1,374	0
<i>Fund Balance (Deficit) End of Year</i>	\$3,017	(\$19,288)	\$9,635	\$28,923

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual (Budget Basis)
 Street Construction Maintenance and Repair Fund
 For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$108,000	\$115,660	\$120,841	\$5,181
Miscellaneous	0	0	5,425	5,425
<i>Total Receipts</i>	108,000	115,660	126,266	10,606
Disbursements				
Current:				
Transportation	121,660	121,660	113,717	7,943
<i>Net Change in Fund Balance</i>	(13,660)	(6,000)	12,549	18,549
<i>Fund Balance Beginning of Year</i>	25,724	25,724	25,724	0
Prior Year Encumbrances Appropriated	1,089	1,089	1,089	0
<i>Fund Balance End of Year</i>	<u>\$13,153</u>	<u>\$20,813</u>	<u>\$39,362</u>	<u>\$18,549</u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
Statement of Fund Net Position - Cash Basis
Enterprise Funds
December 31, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Deposits</u>	<u>Total</u>
Current Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$194,782</u>	<u>\$610,568</u>	<u>\$175,690</u>	<u>\$59,139</u>	<u>\$1,040,179</u>
Net Position					
Unrestricted	<u>\$194,782</u>	<u>\$610,568</u>	<u>\$175,690</u>	<u>\$59,139</u>	<u>\$1,040,179</u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Position - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2012*

	Water	Sewer	Trash	Deposits	Total
Operating Receipts					
Charges for Services	\$340,094	\$579,393	\$179,212	\$4,100	\$1,102,799
Fines Licenses and Permits	25,250	2,000	0	0	27,250
Miscellaneous	40,721	64,332	1,955	0	107,008
<i>Total Operating Receipts</i>	<u>406,065</u>	<u>645,725</u>	<u>181,167</u>	<u>4,100</u>	<u>1,237,057</u>
Operating Disbursements					
Personal Services	113,377	49,033	19,225	0	181,635
Fringe Benefits	80,850	18,682	1,650	0	101,182
Contractual Services	20,351	504,004	140,325	0	664,680
Materials and Supplies	96,586	13,687	0	0	110,273
Miscellaneous	62	0	45	1,290	1,397
<i>Total Operating Disbursements</i>	<u>311,226</u>	<u>585,406</u>	<u>161,245</u>	<u>1,290</u>	<u>1,059,167</u>
<i>Operating Income</i>	<u>94,839</u>	<u>60,319</u>	<u>19,922</u>	<u>2,810</u>	<u>177,890</u>
Non-Operating Disbursements					
Redemption of Principal	(10,526)	0	0	0	(10,526)
Interest and Fiscal Charges	(1,675)	0	0	0	(1,675)
<i>Total Non-Operating Disbursements</i>	<u>(12,201)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(12,201)</u>
<i>Change in Net Position</i>	82,638	60,319	19,922	2,810	165,689
<i>Net Position Beginning of Year</i>	<u>112,144</u>	<u>550,249</u>	<u>155,768</u>	<u>56,329</u>	<u>874,490</u>
<i>Net Position End of Year</i>	<u><u>\$194,782</u></u>	<u><u>\$610,568</u></u>	<u><u>\$175,690</u></u>	<u><u>\$59,139</u></u>	<u><u>\$1,040,179</u></u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
Statement of Fiduciary Assets and Liabilities - Cash Basis
Agency Fund
December 31, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$293</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$293</u></u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 1 - Reporting Entity

The Village of Lakemore, Summit County, Ohio, is a body politic and corporate 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the Village consists of all funds, agencies, departments and offices that are not legally separate from the Village. For the Village of Lakemore this includes the departments and agencies that provide the following services: police and fire protection, water, sewer, trash collection, parks, recreation and street maintenance.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt or the levying of taxes. The Village has no component units.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund The general fund accounts for and reports 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 according to the general laws of Ohio.

Permissive Motor Vehicle License Tax Fund The Permissive Motor Vehicle License Tax Fund accounts for and reports additional motor vehicle registration fees restricted for maintenance and repair of streets within the Village.

Fire and Emergency Medical Services Fund The Fire and Emergency Medical Services Fund accounts for and reports property taxes and charges for services restricted for fire and emergency medical services operations.

Street Construction, Maintenance and Repair Fund The Street Construction, Maintenance and Repair Fund accounts for and reports ninety-two and one half percent of the State gasoline tax and motor vehicle registration fees restricted for street maintenance and repair.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Community Development Block Grant Fund The Community Development Block Grant Fund accounts for and reports restricted federal grants for expenditures as prescribed under the Community Development Block Grant Program.

The other governmental funds of the Village account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds. The following are descriptions of the Village's enterprise 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. The Village has four enterprise funds:

Water Fund The water fund accounts for revenues generated from the charges for distribution of water service to the residential and commercial users located within the Village.

Sewer Fund The sewer fund accounts for sewer services to the residential and commercial users located within the Village. The costs of providing these services are financed primarily through user charges.

Trash Collection Fund The trash fund accounts for trash collection services to the residential and commercial users located within the Village. The costs of providing these services are financed primarily through user charges.

Deposits Fund The deposits fund accounts for various utility deposits received from consumers.

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. The Village only utilizes the agency fund type. The Village's agency fund accounts for and reports construction deposits.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in the note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "equity in pooled cash and cash equivalents (deficit)". The Village had no investments during the year or at year end.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Fund Balance

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

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Village Council or a Village official delegated that authority by ordinance or by State Statute.

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

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

Net Position

Net position is reported as restricted when there are limitations imposed on the use either through constitutional provisions, enabling legislation (adopted by the Village) or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street maintenance and public safety.

The Village first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The community development block grant special revenue fund was not budgeted since no activity was anticipated and none occurred. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established by the Village Council at the fund, department, and object level for all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

The certificate of estimated resources may be amended during the year if the Village Fiscal Officer projects increases or decreases in receipts. The amounts reported as the original and final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the original and final appropriations ordinance were passed by Village Council.

The Village Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation ordinance for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation ordinance the Village Council passed during the year.

Note 3 – Compliance

The budgetary financial statements reflect amounts that ordinarily would result in noncompliance citations under Revised Code Chapter 5705. Since the Village is in fiscal emergency, however, its financial operations are restricted by the provisions of Chapter 118 rather than Chapter 5705. Citations to Chapter 5705 would therefore be presented only for funds which did not contribute to the Village being placed in fiscal emergency.

Internal Revenue Code (IRC) Chapter 26 Section 3403 states in part, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter. Ohio Revised Code Section 5747.06 states the requirements related to an employer's duty to withhold tax. Ohio Rev. Code Sections 145.01, 145.03, 145.47, and 145.48 state the requirements related to the Public Employees Retirement System. Federal and State taxes were not remitted in a consistent and timely manner as required and support for some of the submissions was not available. In addition, there were instances of late submissions to the Ohio Public Employees Retirement System (OPERS).

Village of Lakemore, Ohio
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For the Year Ended December 31, 2012

The Village did not properly certify its beginning fund balances to the county fiscal officer contrary to Ohio Revised Code Section 5705.36(A).

The Village had 34 percent of disbursements tested with an invoice that was dated prior to the purchase order, thus causing those disbursements not to be certified in a timely manner in 2012 contrary to Ohio Revised Code Section 5705.41 (D).

The Village did not pass a resolution authorizing the necessary tax levies and did not certify the levies to the County Fiscal Officer for 2012 contrary to Ohio Revised Code Section 5705.34.

Note 4 –Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The general fund encumbrances outstanding at year end (budgetary basis) amounted to \$651. The fire and emergency medical services and street construction, maintenance and repair special revenue funds encumbrances outstanding at year end (budgetary basis) amounted to \$1,100 and \$505, respectively.

Note 5 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Permissive Motor Vehicle License Tax	Fire and Emergency Medical Services	Street Construction Maintenance and Repair
<i>Nonspendable</i>				
Unclaimed Monies	\$84,581	\$0	\$0	\$0
<i>Restricted for</i>				
Public Safety	1,685	0	10,735	0
Street Maintenance	0	80,354	0	39,867
Community Development	173	0	0	0
Capital Improvements	0	0	0	0
<i>Total Restricted</i>	1,858	80,354	10,735	39,867
<i>Unassigned (Deficit)</i>	(842,248)	0	0	0
<i>Total Fund Balances (Deficit)</i>	(\$755,809)	\$80,354	\$10,735	\$39,867

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Fund Balances	Community Development Block Grant	Other Governmental Funds	Total
<i>Nonspendable</i>			
Unclaimed Monies	\$0	\$0	\$84,581
<i>Restricted for</i>			
Public Safety	0	23,680	36,100
Street Maintenance	0	0	120,221
Community Development	59,835	0	60,008
Capital Improvements	0	4,438	4,438
<i>Total Restricted</i>	59,835	28,118	220,767
<i>Unassigned (Deficit)</i>	0	0	(842,248)
<i>Total Fund Balances (Deficit)</i>	\$59,835	\$28,118	(\$536,900)

Note 6 - Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

Village of Lakemore, Ohio
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For the Year Ended December 31, 2012

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in the division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio);

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the fiscal officer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Note 7 – Income Taxes

The Village levies a 2.0 percent income tax whose proceeds are placed into the general fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Residents of the Village are granted 50 percent credit for taxes paid to other municipalities. Income taxes are collected by the Regional Income Tax Agency (RITA). 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 also required to pay their estimated tax at least quarterly and file a final return annually.

The Village of Lakemore determined that it was necessary to reduce the income tax credit in order to achieve a balanced budget while effectively funding the necessary functions of the Village of Lakemore. For 2011 and continuing until the Village of Lakemore is released from Fiscal Emergency by the State of Ohio, the income tax credit limit is reduced to 50 percent for taxes paid to other municipalities by residents of the Village.

Note 8 – Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes. Property tax payments received during 2012 for tangible personal property (other than public utility property) is for 2012 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The full tax rate for all Village operations for the year ended December 31, 2012 was \$4.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$40,271,040
Other Real Estate	5,046,630
Public Utility Personal Property	<u>68,250</u>
Total	<u><u>\$45,385,920</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Fiscal Officer periodically remits to the Village its portion of the taxes collected.

Note 9 - Contingencies

Grants

The Village receives 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 any 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 of the Village at December 31, 2012.

Litigation

The Village of Lakemore is a party to legal proceedings. The Village management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

Note 10 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

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

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

Village of Lakemore, Ohio
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For the Year Ended December 31, 2012

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	<u>(5,328,761)</u>	<u>(4,845,056)</u>
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

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

Workers' compensation is provided by the State. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 11 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

contributed 10 percent of covered payroll. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The Village's 2012 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional and Combined Plans was 4 percent. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011 and 2010 were \$31,412, \$32,686 and \$23,358, respectively. The full amount has been contributed for 2012, 2011 and 2010. There were no contributions to the member-directed plan for 2012.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for firefighters were \$29,646 for the year ended December 31, 2012, \$31,117 for the year ended December 31, 2011 and \$21,940 for the year ended December 31, 2010, respectively. The full amount has been contributed for 2012, 2011 and 2010.

Note 12 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care

Village of Lakemore, Ohio
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For the Year Ended December 31, 2012

coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 4 percent.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$12,565, \$13,075 and \$13,316, respectively. The full amount has been contributed for 2012, 2011 and 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

Village of Lakemore, Ohio
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For the Year Ended December 31, 2012

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$11,600 for the year ended December 31, 2012, \$12,176 for the year ended December 31, 2011 and \$8,585 for the year ended December 31, 2010. The full amount has been contributed for 2012, 2011 and 2010.

Note 13 – Capital Lease

In 2009, the Village entered into a capital lease for a Pierce Saber fire truck. The lease meets the criteria for a capital lease as defined by the Governmental Accounting Standard Board Statement No. 62.

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2012.

	Amounts
2013	\$10,829
2014	10,829
2015	10,829
2016	10,829
2017	10,829
2018 - 2019	21,656
Total Minimum Lease Payments	75,801
Less: Amount representing interest	(15,651)
Present Value of Minimum Lease Payments	\$60,150

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 14 - Long-Term Obligations

Original issue amounts and interest rates of the Village's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities			
<i>OWDA Loans</i>			
Water Treatment Plant - 2000	0.00%	\$33,905	2014
<i>Rural Community Action Loan</i>	4.00%	40,000	2020

The changes in long-term obligations during the year were as follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Amounts Due in One Year
Governmental Activities					
Fire Truck Lease	\$66,873	\$0	(\$6,723)	\$60,150	\$7,136
Business-Type Activities					
OWDA Loans	\$13,106	\$0	(\$6,782)	\$6,324	\$3,391
Rural Community Action Loan	36,799	0	(3,744)	33,055	3,583
Total Business-Type Activities	\$49,905	\$0	(\$10,526)	\$39,379	\$6,974

The fire truck capital lease relates to a capital lease for a Pierce Saber fire truck. The Village will make annual lease payments with the final payment due in 2019. The general fund will be making payments on the capital lease.

The Ohio Water Development Authority (OWDA) loan relates to a Village Capital Improvement Fund Loan for the design of the drinking water facilities improvements. The OWDA approved up to \$33,905 in loans to the Village for this project. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Rural Community Action Loan relates to the installation of a new control panel for the Village water system. The Village will repay the loan in monthly installments of \$405 including interest, over 10 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

The OWDA and Rural Community Action loans will be paid with user charges from the water enterprise fund.

The Village has pledged future receipts, net of operating disbursements, to repay the OWDA loan in the water fund. The debt is payable solely from net receipts through 2014. Annual principal payments on the debt issue are expected to require 7.15 percent of net revenues. The total principal remaining to be paid on the debt is \$6,324. Principal paid for the current year and total net revenues available were \$6,782 and \$94,839, respectively.

The Village's overall legal debt margin was \$4,765,522 with an unvoted debt margin of \$2,496,226 at December 31, 2012. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012 are as follows:

Village of Lakemore, Ohio
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For the Year Ended December 31, 2012

	Business-Type Activities		
	OWDA Loan	Rural Community Action Loan	
	Principal	Principal	Interest
	2013	\$3,391	\$3,583
2014	2,933	3,726	1,134
2015	0	3,879	981
2016	0	4,042	818
2017	0	4,205	655
2018 - 2020	0	13,620	960
Total	\$6,324	\$33,055	\$5,825

Note 15 – Interfund Transfers

During 2012, the general fund transferred \$2,435 to the drug enforcement special revenue fund to eliminate a deficit cash balance.

Note 16 – Fiscal Emergency

The Auditor of State’s office placed the Village in fiscal emergency on August 31, 2010 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 financial consultants from various corporations and/or organizations who reside or work within the Village and two representatives from the State of Ohio.

In accordance with Section 118.06 of the Ohio Revised Code, the Village is required to submit to the Commission a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village adopted its initial financial recovery plan on February 16, 2011.

A village is placed into fiscal emergency when any one of six conditions is present. For the Village of Lakemore, two of the six conditions were present at the date of the Auditor of State’s determination. The conditions present in the Village included deficit fund balances and a sizable deficiency when the Village’s treasury balance was compared to the positive cash balances of the Village’s funds. Under Section 118.03(A)(5) of the Revised code, the aggregate sum of all deficit funds at the end of the preceding fiscal year, less any transferable balance in the general fund and in any special revenue fund that exceed one-sixth of the general fund budget and the receipts of the deficit funds is a fiscal emergency condition. As of December 31, 2009, the Village had deficit fund balances in the following funds: general fund, police disability and pension fund, emergency medical services fund, note on police facility fund, capital improvement fund and the water fund. The Auditor of State’s calculation determined the total unprovided portion of aggregate deficit funds was \$839,450 for the year ended December 31, 2010. Under Section 118.03(A)(6) of the Revised code, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, 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. The Auditor of State’s calculation determined the treasury deficiency exceeded one-sixth of the treasury receipts at December 31, 2010 by \$584,532.

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Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

This discussion and analysis of the Village of Lakemore financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

- Net position of governmental activities increased due to increases in property and income taxes as the economy continues to recover from the economic downturn
- The Village's governmental receipts are primarily property and income taxes, intergovernmental revenues, and fines, licenses and permits.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village of Lakemore as a Whole

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Village consists of all funds, agencies, departments and offices that are not legally separated from the Village.

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organizations' governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt or the levying of taxes. The Village has no component unit.

The statement of net position and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

Governmental activities Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities The Village has four business-type activities for the provision of water, sewer, trash collection and utility deposits. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village of Lakemore Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the general fund, the permissive motor vehicle license tax, fire and emergency medical services, street construction maintenance and repair and community development block grant special revenue funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has four enterprise funds: the water fund, the sewer fund, the trash collection fund and the deposits fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village does not have any internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village of Lakemore as a Whole

Table 1 provides a summary of the Village's net position for 2011 compared to 2010 on a cash basis.

(Table 1)

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Cash and Cash						
Equivalents (Deficit)	(\$860,758)	(\$977,688)	\$874,490	\$868,861	\$13,732	(\$108,827)
Net Position						
Restricted for:						
Capital Outlay	\$4,438	\$2,688	\$0	\$0	\$4,438	\$2,688
Debt Service	0	5,870	0	0	0	5,870
Other Purposes	209,036	192,325	0	0	209,036	192,325
Unrestricted (Deficit)	(1,074,232)	(1,178,571)	874,490	868,861	(199,742)	(309,710)
<i>Total Net Position (Deficit)</i>	(\$860,758)	(\$977,688)	\$874,490	\$868,861	\$13,732	(\$108,827)

- Total governmental assets increased over 2010. The increase in equity in pooled cash and cash equivalents is largely due to management's diligent attempt to control spending.
- Net position of business-type activities increased over 2010. This increase is due to the increase in charges for services.

Village of Lakemore, Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2 reflects the change in net position for 2011 compared to 2010 on a cash basis.

(Table 2)
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts:						
<i>Program Receipts</i>						
Charges for Services	\$251,743	\$231,452	\$993,872	\$937,270	\$1,245,615	\$1,168,722
Operating Grants	269,853	118,705	0	0	269,853	118,705
<i>Total Program Receipts</i>	<u>521,596</u>	<u>350,157</u>	<u>993,872</u>	<u>937,270</u>	<u>1,515,468</u>	<u>1,287,427</u>
<i>General Receipts:</i>						
Property Taxes	203,240	121,016	0	0	203,240	121,016
Income Taxes	581,212	471,822	0	0	581,212	471,822
Intergovernmental	236,095	230,699	0	0	236,095	230,699
Proceeds of Loans	0	0	0	40,000	0	40,000
Miscellaneous	59,397	62,917	2,327	5,654	61,724	68,571
<i>Total General Receipts</i>	<u>1,079,944</u>	<u>886,454</u>	<u>2,327</u>	<u>45,654</u>	<u>1,082,271</u>	<u>932,108</u>
<i>Total Receipts</i>	<u>1,601,540</u>	<u>1,236,611</u>	<u>996,199</u>	<u>982,924</u>	<u>2,597,739</u>	<u>2,219,535</u>
Disbursements:						
General Government	284,411	311,524	0	0	284,411	311,524
Security of Persons and Property	916,069	884,842	0	0	916,069	884,842
Leisure Time Activities	8,995	17,202	0	0	8,995	17,202
Community Environment	13,508	16,006	0	0	13,508	16,006
Transportation	218,862	251,195	0	0	218,862	251,195
Public Health Services	0	500	0	0	0	500
Principal Retirement	37,322	71,148	0	0	37,322	71,148
Interest and Fiscal Charges	5,443	4,911	0	0	5,443	4,911
Water	0	0	270,865	225,957	270,865	225,957
Sewer	0	0	521,481	402,930	521,481	402,930
Trash Collection	0	0	197,029	115,278	197,029	115,278
Deposits	0	0	1,195	1,300	1,195	1,300
<i>Total Disbursements</i>	<u>1,484,610</u>	<u>1,557,328</u>	<u>990,570</u>	<u>745,465</u>	<u>2,475,180</u>	<u>2,302,793</u>
Change in Net Position	116,930	(320,717)	5,629	237,459	122,559	(83,258)
<i>Net Position (Deficit)</i>						
<i>Beginning of Year</i>	<u>(977,688)</u>	<u>(656,971)</u>	<u>868,861</u>	<u>631,402</u>	<u>(108,827)</u>	<u>(25,569)</u>
<i>Net Position (Deficit) End of Year</i>	<u>(\$860,758)</u>	<u>(\$977,688)</u>	<u>\$874,490</u>	<u>\$868,861</u>	<u>\$13,732</u>	<u>(\$108,827)</u>

Program revenues increased in 2010, with the majority of the increase due to greater charges for services and more fines, licenses and permits received by the Village as the Village continues to seek out additional sources of revenue.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the village manager, the finance office and the law department.

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

Security of persons and property are the costs of police and fire protection; leisure time activities are the costs of maintaining the parks and playing fields; transportation is the cost of maintaining the streets; community environment is the code enforcement officer and public health service is for animal control.

The Village made an effort to lower disbursements to help ensure positive cash balances.

Governmental and Business-Type Activities

If you look at the Statement of Activities on pages 50 and 51, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property. Transportation also represents a significant cost. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) columns compare the program receipts for governmental and business-type activities to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. A comparison between the total cost of services and the net cost for governmental and business-type activities is presented in Table 3.

(Table 3)

	<u>Governmental Activities</u>		<u>Governmental Activities</u>	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
General Government	\$284,411	\$245,466	\$311,524	\$298,934
Security of Persons and Property	916,069	576,151	884,842	709,652
Leisure Time Activities	8,995	7,958	17,202	16,487
Community Environment	13,508	11,950	16,006	15,524
Transportation	218,862	78,724	251,195	90,015
Public Health Services	0	0	500	500
Principal Retirement	37,322	37,322	71,148	71,148
Interest and Fiscal Charges	5,443	5,443	4,911	4,911
<i>Total Expenses</i>	<u>\$1,484,610</u>	<u>\$963,014</u>	<u>\$1,557,328</u>	<u>\$1,207,171</u>

The dependence upon income tax and other tax receipts is apparent as the majority of governmental activities are supported through these general receipts.

The Village of Lakemore Funds

Total governmental funds had receipts of \$1,601,540 and disbursements of \$1,484,610. The greatest change within governmental funds occurred within the general fund as the result of increased revenue from income taxes from the Village making a greater effort in collections to increase revenues.

General fund receipts were less than disbursements plus transfers out indicating that the general fund is in a deficit spending situation for the current year. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers.

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

The Village's final budgeted receipts were less than actual receipts. The positive difference was due to greater than expected collections of general fund revenues, mainly due to under estimating the amount of income tax, intergovernmental, and miscellaneous revenues.

Final budgeted disbursements were more than actual disbursements. The positive difference was due to greater spending controls for general government and security of persons and property.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2011, the Village's outstanding debt included:

Table 4
Outstanding Long-Term Obligations at Year End

	<u>2011</u>	<u>2010</u>
<i>Governmental Activities Debt:</i>		
Police Facility General Obligation Loan	\$0	\$31,779
Capital Lease	66,873	72,416
Total	<u>\$66,873</u>	<u>\$104,195</u>
<i>Business-Type Activities Debt:</i>		
OWDA Loans	\$13,106	\$16,496
Rural Community Action Loan	36,799	40,000
Total	<u>\$49,905</u>	<u>\$56,496</u>

The Ohio Water Development Authority (OWDA) loan relates to a Village Capital Improvement Fund Loan for the design of the drinking water facilities improvements.

The Rural Community Action Loan relates to the installation of a new control panel for the Village water system.

The OWDA and Rural Community Action loans will be paid with user charges from the water enterprise fund.

The Village's overall legal debt margin was \$5,144,232 with an unvoted debt margin of \$2,694,598 at December 31, 2011.

See Note 15 to the basic financial statements for additional information on the Village's debt.

Village of Lakemore, Summit County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

The Village continues to seek out alternative funding in the way of grants to help our financial baseline.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tracy Fast, Fiscal Officer, Village of Lakemore, P.O. Box 455, 1400 Main Street, Lakemore, Ohio, 44250.

Village of Lakemore, Ohio
Statement of Net Position - Cash Basis
December 31, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents (Deficit)	<u>(\$860,758)</u>	<u>\$874,490</u>	<u>\$13,732</u>
Net Position			
Restricted for:			
Capital Projects	\$4,438	\$0	\$4,438
Other Purposes	209,036	0	209,036
Unrestricted (Deficit)	<u>(1,074,232)</u>	<u>874,490</u>	<u>(199,742)</u>
<i>Total Net Position (Deficit)</i>	<u>(\$860,758)</u>	<u>\$874,490</u>	<u>\$13,732</u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants
Governmental Activities			
General Government	\$284,411	\$38,945	\$0
Security of Persons and Property:			
Police	483,201	55,588	2,175
Fire	432,868	143,862	138,293
Leisure Time Activities	8,995	1,037	0
Community Environment	13,508	1,558	0
Transportation	218,862	10,753	129,385
Principal Retirement	37,322	0	0
Interest and Fiscal Charges	5,443	0	0
<i>Total Governmental Activities</i>	<u>1,484,610</u>	<u>251,743</u>	<u>269,853</u>
Business-Type Activities			
Water	270,865	368,854	0
Sewer	521,481	445,971	0
Trash	197,029	174,367	0
Deposits	1,195	4,680	0
<i>Total Business-Type Activities</i>	<u>990,570</u>	<u>993,872</u>	<u>0</u>
<i>Total</i>	<u><u>\$2,475,180</u></u>	<u><u>\$1,245,615</u></u>	<u><u>\$269,853</u></u>

General Receipts

Property Taxes Levied for:
 General Purposes
 Safety Forces
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted
 to Specific Programs
Miscellaneous

Total General Receipts

Change in Net Position

Net Position (Deficit) Beginning of Year

Net Position (Deficit) End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$245,466)	\$0	(\$245,466)
(425,438)	0	(425,438)
(150,713)	0	(150,713)
(7,958)	0	(7,958)
(11,950)	0	(11,950)
(78,724)	0	(78,724)
(37,322)	0	(37,322)
(5,443)	0	(5,443)
(963,014)	0	(963,014)
0	97,989	97,989
0	(75,510)	(75,510)
0	(22,662)	(22,662)
0	3,485	3,485
0	3,302	3,302
(963,014)	3,302	(959,712)
89,220	0	89,220
114,020	0	114,020
581,212	0	581,212
236,095	0	236,095
59,397	2,327	61,724
1,079,944	2,327	1,082,271
116,930	5,629	122,559
(977,688)	868,861	(108,827)
(\$860,758)	\$874,490	\$13,732

Village of Lakemore, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	<u>General</u>	<u>Permissive Motor Vehicle License Tax</u>	<u>Fire and Emergency Medical Services</u>
Assets			
Equity in Pooled Cash and Cash Equivalents (Deficit)	<u>(\$1,065,650)</u>	<u>\$80,591</u>	<u>\$11,894</u>
Fund Balances			
Restricted	\$5,997	\$80,591	\$11,894
Unassigned (Deficit)	<u>(1,071,647)</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances (Deficit)</i>	<u><u>(\$1,065,650)</u></u>	<u><u>\$80,591</u></u>	<u><u>\$11,894</u></u>

See accompanying notes to the basic financial statements

Street Construction Maintenance and Repair	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
<u>\$26,813</u>	<u>\$59,835</u>	<u>\$25,759</u>	<u>(\$860,758)</u>
\$26,813	\$59,835	\$28,344	\$213,474
<u>0</u>	<u>0</u>	<u>(2,585)</u>	<u>(1,074,232)</u>
<u>\$26,813</u>	<u>\$59,835</u>	<u>\$25,759</u>	<u>(\$860,758)</u>

Village of Lakemore, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	<u>General</u>	<u>Permissive Motor Vehicle License Tax</u>	<u>Fire and Emergency Medical Services</u>
Receipts			
Property Taxes	\$89,220	\$0	\$101,588
Income Taxes	581,212	0	0
Intergovernmental	236,095	5,726	138,293
Charges for Services	6,137	0	133,963
Fines, Licenses and Permits	111,643	0	0
Miscellaneous	55,333	0	2,000
<i>Total Receipts</i>	<u>1,079,640</u>	<u>5,726</u>	<u>375,844</u>
Disbursements			
Current:			
General Government	284,411	0	0
Security of Persons and Property:			
Police	450,110	0	0
Fire	80,696	0	352,172
Leisure Time Activities	8,995	0	0
Community Environment	13,508	0	0
Transportation	93,215	0	0
Debt Service:			
Principal Retirement	31,779	0	0
Interest and Fiscal Charges	5,116	0	0
<i>Total Disbursements</i>	<u>967,830</u>	<u>0</u>	<u>352,172</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>111,810</u>	<u>5,726</u>	<u>23,672</u>
Other Financing Sources (Uses)			
Transfer In	0	0	90,874
Transfer Out	(207,643)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(207,643)</u>	<u>0</u>	<u>90,874</u>
<i>Net Change in Fund Balance</i>	(95,833)	5,726	114,546
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 5)</i>	<u>(969,817)</u>	<u>74,865</u>	<u>(102,652)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$1,065,650)</u></u>	<u><u>\$80,591</u></u>	<u><u>\$11,894</u></u>

See accompanying notes to the basic financial statements

Street Construction Maintenance and Repair	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$12,432	\$203,240
0	0	0	581,212
123,659	0	2,175	505,948
0	0	0	140,100
0	0	0	111,643
314	0	1,750	59,397
<u>123,973</u>	<u>0</u>	<u>16,357</u>	<u>1,601,540</u>
0	0	0	284,411
0	0	33,091	483,201
0	0	0	432,868
0	0	0	8,995
0	0	0	13,508
125,647	0	0	218,862
0	0	5,543	37,322
0	0	327	5,443
<u>125,647</u>	<u>0</u>	<u>38,961</u>	<u>1,484,610</u>
<u>(1,674)</u>	<u>0</u>	<u>(22,604)</u>	<u>116,930</u>
0	0	116,769	207,643
0	0	0	(207,643)
<u>0</u>	<u>0</u>	<u>116,769</u>	<u>0</u>
(1,674)	0	94,165	116,930
<u>28,487</u>	<u>59,835</u>	<u>(68,406)</u>	<u>(977,688)</u>
<u>\$26,813</u>	<u>\$59,835</u>	<u>\$25,759</u>	<u>(\$860,758)</u>

Village of Lakemore, Ohio
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$145,241	\$113,334	\$89,220	(\$24,114)
Income Taxes	680,722	531,181	581,212	50,031
Intergovernmental	259,536	202,520	236,095	33,575
Charges for Services	7,187	5,609	6,137	528
Fines, Licenses and Permits	130,758	102,033	111,643	9,610
Miscellaneous	64,807	50,570	55,333	4,763
<i>Total Receipts</i>	1,288,251	1,005,247	1,079,640	74,393
Disbursements				
Current:				
General Government	310,242	295,863	285,196	10,667
Security of Persons and Property:				
Police	491,000	451,206	450,110	1,096
Fire	109,222	84,038	80,696	3,342
Leisure Time Activities	9,273	9,272	8,995	277
Community Environment	3,549	14,760	13,508	1,252
Transportation	71,251	93,339	93,215	124
Debt Service:				
Principal Retirement	0	31,779	31,779	0
Interest and Fiscal Charges	0	5,116	5,116	0
<i>Total Disbursements</i>	994,537	985,373	968,615	16,758
<i>Excess of Receipts Over Disbursements</i>	293,714	19,874	111,025	91,151
Other Financing Uses				
Transfers Out	0	(207,643)	(207,643)	0
<i>Net Change in Fund Balance</i>	293,714	(187,769)	(96,618)	91,151
<i>Fund Deficit Beginning of Year</i>	(969,817)	(969,817)	(969,817)	0
<i>Fund Deficit End of Year</i>	(\$676,103)	(\$1,157,586)	(\$1,066,435)	\$91,151

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual (Budget Basis)
 Permissive Motor Vehicle License Tax Fund
 For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$6,500	\$6,500	\$5,726	(\$774)
Disbursements				
Current:				
Transportation	0	0	0	0
<i>Net Change in Fund Balance</i>	6,500	6,500	5,726	(774)
<i>Fund Balance Beginning of Year</i>	74,865	74,865	74,865	0
<i>Fund Balance End of Year</i>	\$81,365	\$81,365	\$80,591	(\$774)

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual (Budget Basis)
 Fire and Emergency Medical Services Fund
 For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$122,482	\$124,373	\$101,588	(\$22,785)
Intergovernmental	0	138,921	138,293	(628)
Charges for Services	135,000	127,000	133,963	6,963
Miscellaneous	0	2,000	2,000	0
<i>Total Receipts</i>	257,482	392,294	375,844	(16,450)
Disbursements				
Current:				
Security of Persons and Property:				
Fire	241,982	363,780	353,546	10,234
<i>Excess of Receipts Over Disbursements</i>	15,500	28,514	22,298	(6,216)
Other Financing Sources				
Transfers In	0	100,000	90,874	(9,126)
<i>Net Change in Fund Balance</i>	15,500	128,514	113,172	(15,342)
<i>Fund Deficit Beginning of Year</i>	(102,652)	(102,652)	(102,652)	0
<i>Fund Balance (Deficit) End of Year</i>	(\$87,152)	\$25,862	\$10,520	(\$15,342)

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual (Budget Basis)
 Street Construction Maintenance and Repair Fund
 For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$141,000	\$117,000	\$123,659	\$6,659
Miscellaneous	0	0	314	314
<i>Total Receipts</i>	141,000	117,000	123,973	6,973
Disbursements				
Current:				
Transportation	129,330	133,847	126,736	7,111
<i>Net Change in Fund Balance</i>	11,670	(16,847)	(2,763)	14,084
<i>Fund Balance Beginning of Year</i>	28,487	28,487	28,487	0
<i>Fund Balance End of Year</i>	\$40,157	\$11,640	\$25,724	\$14,084

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
Statement of Fund Net Position - Cash Basis
Enterprise Funds
December 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Deposits</u>	<u>Total</u>
Current Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$112,144</u>	<u>\$550,249</u>	<u>\$155,768</u>	<u>\$56,329</u>	<u>\$874,490</u>
Net Position					
Unrestricted	<u>\$112,144</u>	<u>\$550,249</u>	<u>\$155,768</u>	<u>\$56,329</u>	<u>\$874,490</u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Position - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2011*

	Water	Sewer	Trash	Deposits	Total
Operating Receipts					
Charges for Services	\$324,880	\$445,221	\$174,367	\$4,680	\$949,148
Fines Licenses and Permits	43,974	750	0	0	44,724
Miscellaneous	15	14	2,298	0	2,327
<i>Total Operating Receipts</i>	<u>368,869</u>	<u>445,985</u>	<u>176,665</u>	<u>4,680</u>	<u>996,199</u>
Operating Disbursements					
Personal Services	90,274	83,314	14,878	0	188,466
Fringe Benefits	43,099	41,391	6,939	0	91,429
Contractual Services	38,643	360,499	174,963	0	574,105
Materials and Supplies	90,547	36,277	249	0	127,073
Miscellaneous	0	0	0	1,195	1,195
<i>Total Operating Disbursements</i>	<u>262,563</u>	<u>521,481</u>	<u>197,029</u>	<u>1,195</u>	<u>982,268</u>
<i>Operating Income (Loss)</i>	<u>106,306</u>	<u>(75,496)</u>	<u>(20,364)</u>	<u>3,485</u>	<u>13,931</u>
Non-Operating Disbursements					
Redemption of Principal	(6,591)	0	0	0	(6,591)
Interest and Fiscal Charges	(1,711)	0	0	0	(1,711)
<i>Total Non-Operating Disbursements</i>	<u>(8,302)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,302)</u>
<i>Change in Net Position</i>	98,004	(75,496)	(20,364)	3,485	5,629
<i>Net Position Beginning of Year</i>	<u>14,140</u>	<u>625,745</u>	<u>176,132</u>	<u>52,844</u>	<u>868,861</u>
<i>Net Position End of Year</i>	<u>\$112,144</u>	<u>\$550,249</u>	<u>\$155,768</u>	<u>\$56,329</u>	<u>\$874,490</u>

See accompanying notes to the basic financial statements

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 - Reporting Entity

The Village of Lakemore, Summit County, Ohio, (the Village) is a body politic and corporate 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the Village consists of all funds, agencies, departments and offices that are not legally separate from the Village. For the Village of Lakemore this includes the departments and agencies that provide the following services: police and fire protection, water, sewer, trash collection, parks, recreation and street maintenance.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt or the levying of taxes. The Village has no component units.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of a government-wide statement of net position and a statement of activities and fund financial statements providing a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The government-wide statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the Village's governmental activities and for the business-type activities of the Village. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Village has two categories of funds: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund The general fund accounts for and reports 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 according to the general laws of Ohio.

Permissive Motor Vehicle License Tax Fund The Permissive Motor Vehicle License Tax Fund accounts for and reports additional motor vehicle registration fees restricted for maintenance and repair of streets within the Village.

Fire and Emergency Medical Services Fund The Fire and Emergency Medical Services Fund accounts for and reports property taxes and charges for services restricted for fire and emergency medical services operations.

Street Construction, Maintenance and Repair Fund The Street Construction, Maintenance and Repair Fund accounts for and reports ninety-two and one half percent of the State gasoline tax and motor vehicle registration fees restricted for street maintenance and repair.

Community Development Block Grant Fund The Community Development Block Grant Fund accounts for and reports restricted federal grants for expenditures as prescribed under the Community Development Block Grant Program.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The other governmental funds of the Village account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds. The Village has four enterprise funds:

Water Fund The water fund accounts for revenues generated from the charges for distribution of water service to the residential and commercial users located within the Village.

Sewer Fund The sewer fund accounts for sewer services to the residential and commercial users located within the Village. The costs of providing these services are financed primarily through user charges.

Trash Collection Fund The trash fund accounts for trash collection services to the residential and commercial users located within the Village. The costs of providing these services are financed primarily through user charges.

Deposits Fund The deposits fund accounts for various utility deposits received from consumers.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in the note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "equity in pooled cash and cash equivalents (deficit)". The Village had no investments during the year or at year end.

Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Village Council or a Village official delegated that authority by ordinance or by State Statute.

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

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

Net Position

Net position is reported as restricted when there are limitations imposed on the use either through constitutional provisions, enabling legislation (adopted by the Village) or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street maintenance and public safety.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The community development block grant special revenue fund was not budgeted since no activity was anticipated and none occurred. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established by the Village Council at the fund, department, and object level for all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The certificate of estimated resources may be amended during the year if the Village Fiscal Officer projects increases or decreases in receipts. The amounts reported as the original and final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the original and final appropriations ordinance were passed by Village Council.

The Village Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation ordinance for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation ordinance the Village Council passed during the year.

Note 3 – Accountability and Compliance

Accountability

At December 31, 2011, the drug enforcement special revenue fund had a deficit fund balance of \$2,585. The general fund is liable for any deficits in these funds and provides transfers when cash is required.

Compliance

The budgetary financial statements reflect amounts that ordinarily would result in noncompliance citations under Revised Code Chapter 5705. Since the Village is in fiscal emergency, however, its financial operations are restricted by the provisions of Chapter 118 rather than Chapter 5705. Citations to Chapter 5705 would therefore be presented only for funds which did not contribute to the Village being placed in fiscal emergency.

Internal Revenue Code (IRC) Chapter 26 Section 3403 states in part, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter. Ohio Revised Code Section 5747.06 states the requirements related to an employer's duty to withhold tax. Ohio Rev. Code Sections 145.01, 145.03, 145.47, and 145.48 state the requirements related to the Public Employees Retirement System. Federal and State taxes were not remitted in a consistent and timely manner as required and support for some of the submissions was not available.

The Village had 57 percent of disbursements tested with an invoice that was dated prior to the purchase order, thus causing those disbursements not to be certified in a timely manner in 2011 contrary to Ohio Revised Code Section 5705.41 (D).

The Village did not pass a resolution authorizing the necessary tax levies and did not certify the levies to the County Fiscal Officer for 2011 contrary to Ohio Revised Code Section 5705.34.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The general fund encumbrances outstanding at year end (budgetary basis) amounted to \$785. The fire and emergency medical services and street construction, maintenance and repair special revenue funds encumbrances outstanding at year end (budgetary basis) amounted to \$1,374 and \$1,089, respectively.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 5 – Change in Accounting Principle and Restatement of Prior Year Fund Balances

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2011, the Village has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” Statement No. 59, “Financial Instruments Omnibus,” Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53” Fund Balance Reporting and Governmental Fund Type Definitions,” Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major funds and all other governmental funds as previously reported.

	General	Permissive Motor Vehicle License Tax	Fire and Emergency Medical Services	Street Construction Maintenance and Repair
Fund Balance, December 31, 2010	(\$975,814)	\$74,865	(\$102,652)	\$28,487
GASB 54 Change in Fund Structure	<u>5,997</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Fund Balance, December 31, 2010	<u><u>(\$969,817)</u></u>	<u><u>\$74,865</u></u>	<u><u>(\$102,652)</u></u>	<u><u>\$28,487</u></u>

	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
Fund Balance, December 31, 2010	\$59,835	(\$62,409)	(\$977,688)
GASB 54 Change in Fund Structure	<u>0</u>	<u>(5,997)</u>	<u>0</u>
Adjusted Fund Balance, December 31, 2010	<u><u>\$59,835</u></u>	<u><u>(\$68,406)</u></u>	<u><u>(\$977,688)</u></u>

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the Village’s financial statements.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Village's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Village's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Village's 2011 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the Village's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement did not result in any change in the Village's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Village's financial statements.

Note 6 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Permissive Motor Vehicle License Tax	Fire and Emergency Medical Services
<i>Restricted for</i>			
Public Safety	\$1,685	\$0	\$11,894
Street Maintenance	0	80,591	0
Community Development	4,312	0	0
Capital Improvements	0	0	0
<i>Total Restricted</i>	<u>5,997</u>	<u>80,591</u>	<u>11,894</u>
<i>Unassigned (Deficit)</i>	<u>(1,071,647)</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances</i>	<u><u>(\$1,065,650)</u></u>	<u><u>\$80,591</u></u>	<u><u>\$11,894</u></u>

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Fund Balances	Street Construction Maintenance and Repair	Community Development Block Grant	Other Governmental Funds	Total
<i>Restricted for</i>				
Public Safety	\$0	\$0	\$23,906	\$37,485
Street Maintenance	26,813	0	0	107,404
Community Development	0	59,835	0	64,147
Capital Improvements	0	0	4,438	4,438
<i>Total Restricted</i>	26,813	59,835	28,344	213,474
<i>Unassigned (Deficit)</i>	0	0	(2,585)	(1,074,232)
<i>Total Fund Balances</i>	\$26,813	\$59,835	\$25,759	(\$860,758)

Note 7 - Deposits and Investments

The Village has elected to follow the provisions of State statute. State statutes classify monies held by the Village into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, and
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Note 8 – Income Taxes

The Village levies a 2.0 percent income tax whose proceeds are placed into the general fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Residents of the Village are granted 50 percent credit for taxes paid to other municipalities. Income taxes are collected by the Regional Income Tax Agency (RITA). 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 also required to pay their estimated tax at least quarterly and file a final return annually.

Note 9 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The full tax rate for all Village operations for the year ended December 31, 2011 was \$4.80 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$42,532,760
Other Real Estate	6,085,580
Public Utility Personal Property	374,350
Total	<u><u>\$48,992,690</u></u>

The County Treasurer collects property tax on behalf of all taxing districts within the Village. The County Fiscal Officer periodically remits to the taxing districts their portions of the taxes collected.

Note 10 - Contingencies

Grants

The Village receives 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 any 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 of the Village at December 31, 2011.

Litigation

The Village of Lakemore is a party to legal proceedings. The Village management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

Note 11 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

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

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

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	<u>(5,328,761)</u>	<u>(4,845,056)</u>
Members' Equity	<u><u>\$7,172,519</u></u>	<u><u>\$7,191,485</u></u>

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

Workers' compensation is provided by the State. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 12 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll. While members in the state and local divisions may participate in all three plans,

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The Village's 2011 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional and Combined Plans was 4 percent. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the year ended December 31, 2011, 2010 and 2009 were \$32,686, \$23,358 and \$59,535, respectively. The full amount has been contributed for 2011, 2010 and 2009. There were no contributions to the member-directed plan for 2011.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 24 percent for firefighters. The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for firefighters were \$31,117 for the year ended December 31, 2011, \$21,940 for the year ended December 31, 2010 and \$29,758 for the year ended December 31, 2009. The full amount for firefighters has been contributed for 2011, 2010 and 2009.

Note 13 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 4 percent.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010 and 2009 were \$13,075, \$13,316 and \$43,964, respectively. The full amount has been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 24 percent of covered payroll for firefighters. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for firefighters was \$12,176 for the year ended December 31, 2011, \$8,585 for the year ended December 31, 2010 and \$11,644 for the year ended December 31, 2009. The full amount has been contributed for firefighters for 2011, 2010 and 2009.

Note 14 – Capital Lease

In 2009, the Village entered into a capital lease for a Pierce Saber fire truck. The lease meets the criteria for a capital lease as defined by the Governmental Accounting Standard Board Statement No. 62.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2011.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Amounts
2012	\$10,829
2013	10,829
2014	10,829
2015	10,829
2016	10,829
2017 - 2019	32,484
Total Minimum Lease Payments	86,629
Less: Amount representing interest	(19,756)
Present Value of Minimum Lease Payments	\$66,873

Note 15 - Long-Term Obligations

Original issue amounts and interest rates of the Village's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities			
<i>OWDA Loans</i>			
Water Treatment Plant - 2000	0.00%	\$33,905	2015
<i>Rural Community Action Loan</i>	4.00%	40,000	2020

The changes in long-term obligations during the year were as follows:

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Amounts Due in One Year
Governmental Activities					
Police Facility General Obligation Loan	\$31,779	\$0	(\$31,779)	\$0	\$0
Fire Truck Lease	72,416	0	(5,543)	66,873	6,723
Total Governmental Activities	\$104,195	\$0	(\$37,322)	\$66,873	\$6,723
Business-Type Activities					
OWDA Loans	\$16,496	\$0	(\$3,390)	\$13,106	\$3,391
Rural Action Community Loan	40,000	0	(3,201)	36,799	3,444
Total Business-Type Activities	\$56,496	\$0	(\$6,591)	\$49,905	\$6,835

The Police Facility General Obligation Loan relates to a bank loan obtained to construct a police facility. The original amount of the loan was \$500,000. The loan will be repaid in semiannual installments by the general and police facility note debt service funds over a ten year period. The General Obligation Loan is collateralized by the Village's taxing authority.

The fire truck capital lease relates to a capital lease for a Pierce Saber fire truck. The Village will make annual lease payments from the general fund with the final payment due in 2019.

The Ohio Water Development Authority (OWDA) loan relates to a Village Capital Improvement Fund Loan for the design of the drinking water facilities improvements. The OWDA approved up to \$33,905 in loans to

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

the Village for this project. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Rural Community Action Loan relates to the installation of a new control panel for the Village water system. The Village will repay the loan in monthly installments of \$405 including interest, over 10 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

The OWDA and Rural Community Action loans will be paid with user charges from the water enterprise fund.

The Village has pledged future receipts, net of operating disbursements, to repay the OWDA loan in the water fund. The debt is payable solely from net receipts through 2015. Annual principal payments on the debt issue are expected to require 3.19 percent of net revenues. The total principal remaining to be paid on the debt is \$13,106. Principal paid for the current year and total net revenues available were \$3,390 and \$106,306, respectively.

The Village's overall legal debt margin was \$5,144,232 with an unvoted debt margin of \$2,694,598 at December 31, 2011. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 are as follows:

	Business-Type Activities		
	OWDA Loan	Rural Action Community Loan	
	Principal	Principal	Interest
2012	\$3,391	\$3,444	\$1,416
2013	3,391	3,583	1,277
2014	3,390	3,726	1,134
2015	2,934	3,879	981
2016	0	4,042	818
2017 - 2020	0	18,125	1,615
Total	<u>\$13,106</u>	<u>\$36,799</u>	<u>\$7,241</u>

Note 16 – Interfund Transfers

During 2011, the general fund transferred \$85,874 to the fire and emergency medical services special revenue fund, \$34,876 to the capital improvements capital project fund and \$65,229 to the note on police facility debt service fund to eliminate deficit cash balances. The general fund transferred \$5,000 to the fire and emergency medical services and \$16,664 police pension funds to move property taxes to the correct funds.

Note 17 – Fiscal Emergency

The Auditor of State's office placed the Village in fiscal emergency on August 31, 2010 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 financial consultants from various corporations and/or organizations who reside or work within the Village and two representatives from the State of Ohio.

Village of Lakemore, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

In accordance with Section 118.06 of the Ohio Revised Code, the Village is required to submit to the Commission a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village adopted its initial financial recovery plan on February 16, 2011.

A village is placed into fiscal emergency when any one of six conditions is present. For the Village of Lakemore, two of the six conditions were present at the date of the Auditor of State's determination. The conditions present in the Village included deficit fund balances and a sizable deficiency when the Village's treasury balance was compared to the positive cash balances of the Village's funds. Under Section 118.03(A)(5) of the Revised code, the aggregate sum of all deficit funds at the end of the preceding fiscal year, less any transferable balance in the general fund and in any special revenue fund that exceed one-sixth of the general fund budget and the receipts of the deficit funds is a fiscal emergency condition. As of December 31, 2009, the Village had deficit fund balances in the following funds: general fund, police disability and pension fund, emergency medical services fund, note on police facility fund, capital improvement fund and the water fund. The Auditor of State's calculation determined the total unprovided portion of aggregate deficit funds was \$839,450 for the year ended December 31, 2010. Under Section 118.03(A)(6) of the Revised code, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, 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. The Auditor of State's calculation determined the treasury deficiency exceeded one-sixth of the treasury receipts at December 31, 2010 by \$584,532.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards***

Village of Lakemore
Summit County
P.O. Box 455
1400 Main Street
Lakemore, Ohio 44250

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lakemore, Summit County, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village of Lakemore's basic financial statements and have issued our report thereon dated June 18, 2013, wherein we noted the Village of Lakemore uses a special purpose framework other than generally accepted accounting principles. As discussed in Note 5 to the financial statements, during 2011, the Village of Lakemore has elected to change its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Also, as discussed in Note 5 to the financial statements, during 2011, the Village of Lakemore adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In addition, we noted that the accompanying financial statements have been prepared assuming that the Village of Lakemore will continue as a going concern. As discussed in 2012 Note 16 and 2011 Note 17 to the financial statements, the Village of Lakemore has suffered recurring losses from operations and has a deficiency that raises substantial doubt about its ability to continue as a going concern.

Internal Control Over Financial Reporting

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

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

Members of Council and Mayor
Village of Lakemore

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Lakemore's financial statements. We consider finding 2012-VOL-002 described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village of Lakemore's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed four instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2012-VOL-001, 2012-VOL-003, 2012-VOL-004, and 2012-VOL-005.

Village of Lakemore's Response to Findings

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village of Lakemore's management in a separate letter dated June 18, 2013.

Purpose of this Report

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



Julian & Grube, Inc.
June 18, 2013

**VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-VOL-001

Internal Revenue Code (IRC) Chapter 26 Section 3403 states in part, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter. Ohio Revised Code Section 5747.06 states the requirements related to an employer’s duty to withhold tax. Ohio Rev. Code Sections 145.01, 145.03, 145.47, and 145.48 state the requirements related to the Public Employees Retirement System.

During the audit period, we noted that Federal and State taxes were not remitted in a consistent and timely manner as required and support for some of the submissions was not available. In addition during the audit period, we noted instances of late submissions to the Ohio Public Employees Retirement System (“OPERS”). Furthermore, there was \$766 in outstanding OPERS payments from December 2010 that was included on the December 31, 2011 bank reconciliation. Of this amount, \$493 was submitted to OPERS on February 28, 2012. The balance was received by the Village on March 31, 2012. There is no support that the March 31, 2012 receipt is proper.

By not submitting payments in a timely manner, the Village may incur penalties and interest.

We recommend that the Village remit its payments to the required agencies in a timely manner. In addition, we recommend that the Village determine the appropriateness of the submissions and receipt which did not have support at the time of audit. Proper documentation should be retained for all submissions.

Client Response: The Village has begun to submit payments within the required timeframes. In addition, the Village is working with the Internal Revenue Service to resolve the matter.

Finding Number	2012-VOL-002
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Material Weakness - Financial Reporting

A critical part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts.

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village’s internal control. In addition, we noted that monthly financial reports, including bank reconciliations, were not consistently presented to council for review and approval.

The Village had the following audit adjustments necessary to properly record activity in 2012 and 2011:

2012 Adjustments:

General Fund: Decrease property tax receipts and decrease cash in the amount of \$19,177 to record homestead and rollback receipts in the proper fund.

Fire and Emergency Medical Services Fund: Increase intergovernmental receipts and increase cash in the amount of \$17,122 to record homestead and rollback receipts in the proper fund.

Police Pension Fund (Nonmajor fund): Increase intergovernmental receipts and increase cash in the amount of \$2,055 to record homestead and rollback receipts in the proper fund.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2012-VOL-002 - (Continued)

2011 Adjustments:

General Fund: Decrease property tax receipts and decrease cash in the amount of \$20,290 to record homestead and rollback receipts in the proper fund.

Fire and Emergency Medical Services Fund: Increase intergovernmental receipts and increase cash in the amount of \$18,115 to record homestead and rollback receipts in the proper fund.

Police Pension Fund (Nonmajor fund): Increase intergovernmental receipts and increase cash in the amount of \$2,175 to record homestead and rollback receipts in the proper fund.

The Village’s financial statements and cash fund balances in the Village’s records have been adjusted to reflect these adjustments.

Proper posting of Village receipts is a crucial part of the Village’s financial statements as potential users may rely on the statements to make decisions that could have an impact on the Village. In addition, improper posting of receipts could mislead the Members of Council and Village citizens during the year and additionally may misrepresent individual fund balances and possibly misrepresent budget and planning reports. Furthermore, without consistent review of financial reports, Council may not be able detect errors in a timely manner.

We recommend that the Village implement additional internal controls to help ensure receipts and disbursements are properly recorded and reflected in the Village’s records. We also recommend the Village consult local government services and UAN for proper posting of transactions as necessary. We further recommend the Village implement additional internal controls over financial reporting to help ensure accurate financial reports throughout the year and at year end. Council should review and approve financial reports, including bank reconciliations, monthly and document such in the minutes.

Client Response: The Village will attempt to properly post all transactions in the future. The Fiscal Officer will consult the UAN Accounting Manual and/or Local Government Services as necessary. Financial reports, including bank reconciliations, will be provided to Council for review and approval monthly.

Finding Number	2012-VOL-003
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Ohio Rev. Code Section 5705.36(A) requires on or about the first day of each fiscal year, the fiscal officers of each subdivision and other taxing units shall certify to the county fiscal officer the total amount from all sources available for expenditures from each fund in the tax budget along with any encumbered balances that existed at the end of the preceding year.

For the year ended December 31, 2012, although the Village certified amounts to the county fiscal officer, the January 1, 2012 beginning fund balances did not agree to the Village’s unencumbered balances per the Village’s accounting records for all funds.

By not certifying the correct unencumbered balances to the county fiscal officer, the Village could base appropriations on outdated estimates of available resources which could result in negative fund balances.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2012-VOL-003 - (Continued)

We recommend that the Village amend its Official Certificate of Estimated Resources to reflect the actual unencumbered balances at January 1 to help ensure the accuracy and usefulness of the Village’s budget.

Client Response: The Village will amend its Official Certificate of Estimated Resources to reflect the actual unencumbered balances in the future.

Finding Number	2012-VOL-004
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is 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. In addition, fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority against any specific line item account over a period not extending beyond the end of the current fiscal year.

The Village had 34% and 57% of disbursements tested with an invoice that was dated prior to the purchase order, thus causing those disbursements not to be certified in a timely manner in 2012 and 2011, respectively. In addition, although the Village has established a policy relating to purchase orders, the policy does not establish a limit on the blanket purchase order amount.

Without proper certification the Village may expend more funds than available in the treasury or in the process of collection, or than funds appropriated. It may also result in unnecessary or undesirable purchases.

We recommend that all orders or contracts involving the disbursement of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should consider using “Then” and “Now” certificates where applicable. Furthermore, we recommend that the Village Council establish as blanket certificate amount to provide additional controls over disbursements.

Client Response: The Village will monitor disbursements and use then and now certificates where applicable in the future. The Village will review its purchase order policy.

Finding Number	2012-VOL-005
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Ohio Revised Code Section 5705.34 requires the Village to pass an ordinance or resolution authorizing the necessary tax levies. The Village is required to certify the levies to the County Fiscal Officer before October 1 each year, unless a later date is approved by the tax commissioner.

The Village did not pass a resolution authorizing the necessary tax levies and did not certify the levies to the County Fiscal Officer for 2012 or 2011.

The County Fiscal Officer does not have the authority to collect levy monies until the rates and amounts have been certified by the Village. As a result, the Village’s collection of tax levy revenues for 2012 and 2011 could have been jeopardized.

VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012 AND 2011

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2012-VOL-005 - (Continued)

We recommend that the Village formally approve and certify the necessary tax levies to the County Fiscal Officer timely. This will help ensure that monies generated from the Village’s tax levies can be collected and available for the Village.

Client Response: The Village will properly certify and submit the necessary tax levies in the future.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-01	Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2010 and 2009, expenditures plus outstanding encumbrances exceeded appropriations in various funds.	Yes	N/A
2010-02	Ohio Rev. Code Section 5705.41(D) requires no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. During 2010 and 2009, the Village issued "blanket" certificates; however, Village Council has not established an amount by resolution or ordinance to limit the "blanket" certificate amount. During 2009, 10 of 35 or 28.6% of expenditures tested and during 2010, 19 of 39 or 48.7% expenditures tested were not certified by the Fiscal Officer nor was evidence discovered that the Village issued Then and Now Certificates.	No	Repeated as finding 2012-VOL-004
2010-03	Ohio Rev. Code Section 5705.10(H) requires that monies paid into any fund be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 2010 and 2009, the Village had negative cash fund balances.	No	Partially corrected. Similar comment issued in Management Letter.
2010-04	<u>Finding for Recovery:</u> Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual, Revised September 30, 2003, states, in part, no more than one hundred dollars (\$100.00) per day, for lodging, parking, taxi fares, telephone calls and other similar items of expenses incident and necessary for performance of official Village business; provided, however, that such items of business shall be documented fully. Pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael Kolomichuk, Mayor, and his bonding company, Western Surety Company in the amount of \$87.	No	Not corrected. The funds are still outstanding as of December 31, 2012.

**VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-05	Ohio Rev. Code Section 5705.34 requires the Village to pass an ordinance or resolution authorizing the necessary tax levies. The Village is required to certify the levies to the County Fiscal Officer before October 1 in each year, unless a later date is approved by the tax commissioner. The Village did not pass a resolution authorizing the necessary tax levies and did not certify the levies to the County Fiscal Officer for 2010 or 2009.	No	Repeated as finding 2012-VOL-005
2010-06	Ohio Rev. Code Section 5705.36(A) requires on or about the first day of each fiscal year, the fiscal officers of each subdivision and other taxing units shall certify to the county fiscal officer the total amount from all sources available for expenditures from each fund in the tax budget along with any encumbered balances that existed at the end of the preceding year. For the year ended December 31, 2009, the Village failed to certify the total amount available from each fund to the county fiscal officer.	No	Partially Corrected. See finding 2012-VOL-003.
2010-07	Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. As of December 31, 2010 and 2009, total appropriations exceeded total estimated resources in various funds.	Yes	N/A
2010-08	<u>Material Weakness – Service Organization:</u> The Village has delegated emergency medical service fee processing and billing, which is a significant accounting function, to North Coast Physicians, (the service organization), a third party administrator for the period of January 1, 2009 to January 19, 2010. 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 emergency medical service fees have not been authorized or completely and accurately processed in accordance with the contract.	Yes	N/A

**VILLAGE OF LAKEMORE
SUMMIT COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-09	<u>Material Weakness – Council Review of Financial Reports and Audit Adjustments:</u> Council did not receive or review any financial reports of the Village’s financial activity during 2009. During 2010 Council received monthly "Appropriation and Expenditures Budget to Actual Report" but did not begin to formally approve them until early 2011. The absence of review and approval of monthly reports demonstrates a lack of fiscal monitoring by Council. The Village continued to operate on a deteriorating fund balance and unreconciled cash balance without knowing the accurate fund balances and financial condition of the Village. As a result, numerous posting errors were noted in the receipt and expenditure ledgers. Receipts and expenditures were posted to incorrect funds and/or accounts due to delays in recording transactions in a timely manner and lack of maintaining sufficient supporting documentation.	No	Repeated as finding 2012-VOL-002
2010-10	<u>Significant Deficiency – Cash Reconciliation:</u> A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the difference between the balance on the bank statement(s) and the cash and investment balances according to the entity’s records. The December 2010 and 2009 bank reconciliations originally included various errors.	Yes	N/A
2008-001	<u>Finding for Recovery:</u> Section 6.14 of the Village of Lakemore, Ohio, Employees Policies and Procedures Manual, Revised September 30, 2003, a Finding for Recovery for public monies illegally expended was issued against Michael Kolomichuk, Mayor, in the amount of \$915 and in favor of the Village of Lakemore.	No	Partially Corrected. Michael Kolomichuk repaid \$609 on July 1, 2010.
2008-005	<u>Finding for Recovery:</u> A Finding for Recovery for public monies illegally expended was issued against Michael Fox in the amount of \$418 in favor of the Village of Lakemore.	No	Not corrected. The funds are still outstanding as of December 31, 2012.
2008-006	<u>Finding for Recovery:</u> A Finding for Recovery for public monies illegally expended was issued against Mark Dodez in the amount of \$331 in favor of the Village of Lakemore.	No	Not corrected. The funds are still outstanding as of December 31, 2012.



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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2013**