



Dave Yost • Auditor of State



**VILLAGE OF LAKEVIEW  
LOGAN COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Lakeview  
Logan County  
126 North Main Street  
PO Box 197  
Lakeview, Ohio 43331

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lakeview, Logan County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such 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.

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lakeview, Logan County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 17, 2018

**Village of Lakeview, Ohio***Logan County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2017*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$65,146	\$5,459		\$70,605
Municipal Income Tax		257,545	\$133,985	391,530
Intergovernmental	27,928	54,999		82,927
Charges for Services	127,000	2,874		129,874
Fines, Licenses and Permits	14,679			14,679
Earnings on Investments	25,351	1,007		26,358
Miscellaneous	4,011	465		4,476
<i>Total Cash Receipts</i>	<u>264,115</u>	<u>322,349</u>	<u>133,985</u>	<u>720,449</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	102,703			102,703
Public Health Services	8,943			8,943
Leisure Time Activities		2,960		2,960
Community Environment	1,034			1,034
Basic Utility Services	4,886			4,886
Transportation	350	14,419		14,769
General Government	89,280	63,666		152,946
Debt Service:				
Principal Retirement		30,458	49,950	80,408
Interest and Fiscal Charges		16,744	32,682	49,426
<i>Total Cash Disbursements</i>	<u>207,196</u>	<u>128,247</u>	<u>82,632</u>	<u>418,075</u>
<i>Excess of Receipts Over Disbursements</i>	<u>56,919</u>	<u>194,102</u>	<u>51,353</u>	<u>302,374</u>
<b>Other Financing Receipts</b>				
Sale of Capital Assets	11			11
<i>Total Other Financing Receipts</i>	<u>11</u>			<u>11</u>
<i>Net Change in Fund Cash Balances</i>	56,930	194,102	51,353	302,385
<i>Fund Cash Balances, January 1</i>	<u>176,064</u>	<u>473,653</u>	<u>27,987</u>	<u>677,704</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		667,755	79,340	747,095
Assigned	153,941			153,941
Unassigned	79,053			79,053
<i>Fund Cash Balances, December 31</i>	<u>\$232,994</u>	<u>\$667,755</u>	<u>\$79,340</u>	<u>\$980,089</u>

*See accompanying notes to the basic financial statements*

**Village of Lakeview, Ohio**

Logan County

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$1,666,174		\$1,666,174
Miscellaneous	19,532		19,532
<i>Total Operating Cash Receipts</i>	<u>1,685,706</u>		<u>1,685,706</u>
<b>Operating Cash Disbursements</b>			
Personal Services	209,581		209,581
Employee Fringe Benefits	88,684		88,684
Contractual Services	1,116,121		1,116,121
Supplies and Materials	58,187		58,187
<i>Total Operating Cash Disbursements</i>	<u>1,472,573</u>		<u>1,472,573</u>
<i>Operating Income</i>	<u>213,133</u>		<u>213,133</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	2,233		2,233
Capital Outlay	(62,034)		(62,034)
Principal Retirement	(108,312)		(108,312)
Interest and Other Fiscal Charges	(48,285)		(48,285)
Other Financing Uses	(57)		(57)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(216,455)</u>		<u>(216,455)</u>
<i>Income (Loss) before Transfers</i>	(3,322)		(3,322)
Transfers In	84,413	\$7	84,420
Transfers Out	(84,420)		(84,420)
<i>Net Change in Fund Cash Balances</i>	(3,329)	7	(3,322)
<i>Fund Cash Balances, January 1</i>	<u>1,730,593</u>	<u>751</u>	<u>1,731,344</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,727,264</u></u>	<u><u>\$758</u></u>	<u><u>\$1,728,022</u></u>

See accompanying notes to the basic financial statements



**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Lakeview (the Village), Logan County, 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. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water and electrical utilities, park operations, and street maintenance. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool, Ohio Plan Risk Management. Note 10 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***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 funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not 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.

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

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Income Tax Fund*** This fund receives income tax collected from Village residents and those employed in the Village. The money is restricted to maintaining Village Streets (1%).

***Capital Project Fund*** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

***Other Capital Projects – Fire House Fund*** This fund is for the construction of a new fire house. The revenue into the fund is from a 0.5% income tax levy passed by the citizens of Lakeview and went into effect 01/01/2016. The loan construction phase was completed on 12/31/2016 and payments for the loan are paid out of this fund.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

**Water Operating Fund** The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Electric Operating Fund** The electric operating fund accounts for the provision of electric services to the residents and commercial users within the Village.

**Water Improvement Fund** The water improvement fund receives user fees and provides for the construction and operations of the water tower.

**Fiduciary Fund** Fiduciary fund includes an agency fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for unclaimed monies for the Enterprise funds.

**Basis of Accounting**

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

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

**Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

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

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

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

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

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

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

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017, follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$237,630	\$264,126	\$26,496
Special Revenue	254,500	322,349	67,849
Capital Projects	100,000	133,985	33,985
Enterprise	1,753,200	1,772,352	19,152
Agency	0	7	7
Total	\$2,345,330	\$2,492,819	\$147,489

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$357,310	\$208,472	\$148,838
Special Revenue	349,850	128,247	221,603
Capital Projects	86,428	82,632	3,796
Enterprise	2,432,175	1,786,547	645,628
Agency	300	0	300
Total	\$3,226,063	\$2,205,898	\$1,020,165

**Note 4 – Deposits and Investments**

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

	2017
Demand deposits	\$2,408,111
Certificates of deposit	300,000
Total deposits	\$2,708,111

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 - Risk Management**

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

See Note 10 for Ohio Plan Risk Management, Inc. information.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 - Defined Benefit Pension Plans (Continued)**

**Social Security**

Three of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Osgood State Bank - Loan 35460 - Fire Dept.	\$908,605	3.49%
Osgood State Bank - Loan 34444 - N. Main St	408,524	3.85%
OWPC Loan - CM29D - Water Tower	13,125	0.00%
OWDA Loan 3417 - Elevated Tank	82,080	5.39%
OWDA Loan 5790 - Water Plant	2,145,012	2.00%
Total	<u>\$3,557,346</u>	

The Osgood State Bank – Loan 35460 – Fire Dept. relates to the Fire House construction project that took place in 2016. The loan was issued in 2016 at a 3.49% interest rate and is paid in semi-annual installments of \$41,316 over 10 years.

The Osgood State Bank – Loan 34444 – N. Main St. relates to the North Main Street reconstruction project. This loan was issued in 2014 at a 3.85% interest rate and is paid in semi-annual installments of \$22,101 over 15 years.

The Bank Loan – Equipment was issued by Kansas State Bank of Manhattan in 2013 for the purchase of Village equipment trucks. The loan was issued at 2.76% interest for a five year period with annual payments of \$16,313. This loan was paid off during fiscal year 2017.

The Ohio Public Works Commission (OPWC) issued loan CM29D to the Village in 2001 for the purpose of the construction of the new water tower. The loan was issued at a 0.00% interest with semi-annual installments of \$1,875 over a 20 year period.

The Ohio Water Development Authority (OWDA) issued loan 3417 to the Village in 2003 for purposes of the construction of the new water tank. The loan was issued in 2002 at a 5.39% interest rate with semi-annual payment of \$13,023 over a 30 year period with a subsidy calculation for the last 6 years of payments.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt (Continued)**

The OWDA issued loan 5790 to the Village in 2012 for the construction of the new water treatment plant. The loan was issued at a 2.00% interest rate with semi-annual payments of \$56,486 over a 30 year period.

**Amortization**

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

Year Ending December 31:	Osgood State Bank - Loan 35460 - Fire Dept.	Osgood State Bank - Loan 34444 - N. Main St.	OPWC Loan - CM29D - Water Tower	OWDA Loan 3417 - Elevated Tank	OWDA Loan 5790 - Water Plant
2018	\$82,632	\$44,202	\$3,750	\$24,981	\$112,972
2019	82,632	44,202	3,750	25,289	112,972
2020	82,632	44,202	3,750	25,615	112,972
2021	82,632	44,202	3,750	12,935	112,972
2022	82,632	44,202			112,972
2023-2027	823,786	221,010			564,860
2028-2032		66,088			564,860
2033-2037					564,860
2038-2041					451,888
Total	<u>\$1,236,946</u>	<u>\$508,108</u>	<u>\$15,000</u>	<u>\$88,820</u>	<u>\$2,711,328</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,388 kilowatts of a total 771,281 kilowatts, giving the Village a 0.18 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$238,041. The Village received a credit of \$76,298 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$62,772 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). Additionally, the Village made payments of \$150,513, leaving an estimated net credit balance of impaired costs of \$51,542. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS project costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's credit balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement amount the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 9 – Debt (Continued)**

Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$2,415, and interest credited to the Village has been \$1,455, resulting in a net credit balance at December 31, 2016 (latest information available), of \$50,582. The Village does have a potential PHFU Liability of \$64,566 resulting in a net total potential liability of \$13,984, assuming the assets making up the PHFU (principally the land comprising of the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHGU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such as negative items as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

**Note 10 – Public Entity Risk Pool**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016 (latest information available).

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 equity at December 31, 2016 (latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



**Village of Lakeview, Ohio**

Logan County

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$64,433	\$6,112		\$70,545
Municipal Income Tax		201,742	\$72,043	273,785
Intergovernmental	30,427	52,202		82,629
Charges for Services	127,001	4,471		131,472
Fines, Licenses and Permits	9,101	100		9,201
Earnings on Investments	12,600			12,600
Miscellaneous	12,145	153		12,298
<i>Total Cash Receipts</i>	<u>255,707</u>	<u>264,780</u>	<u>72,043</u>	<u>592,530</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	100,244			100,244
Public Health Services	9,367			9,367
Leisure Time Activities		2,896		2,896
Community Environment	2,307			2,307
Basic Utility Services	4,150			4,150
Transportation	593	15,708		16,301
General Government	70,651	60,336		130,987
Capital Outlay			985,789	985,789
Debt Service:				
Principal Retirement		26,242		26,242
Interest and Fiscal Charges		17,960	16,822	34,782
<i>Total Cash Disbursements</i>	<u>187,312</u>	<u>123,142</u>	<u>1,002,611</u>	<u>1,313,065</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>68,395</u>	<u>141,638</u>	<u>(930,568)</u>	<u>(720,535)</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds			958,555	958,555
Sale of Capital Assets	27,996			27,996
<i>Total Other Financing Receipts</i>	<u>27,996</u>		<u>958,555</u>	<u>986,551</u>
<i>Net Change in Fund Cash Balances</i>	96,391	141,638	27,987	266,016
<i>Fund Cash Balances, January 1</i>	<u>79,673</u>	<u>332,015</u>		<u>411,688</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		473,653	27,987	501,640
Assigned	119,680			119,680
Unassigned	56,384			56,384
<i>Fund Cash Balances, December 31</i>	<u>\$176,064</u>	<u>\$473,653</u>	<u>\$27,987</u>	<u>\$677,704</u>

See accompanying notes to the basic financial statements

**Village of Lakeview, Ohio**

*Logan County*

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)*

*All Proprietary and Fiduciary Fund Types*

*For the Year Ended December 31, 2016*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$1,628,567		\$1,628,567
Miscellaneous	11,361		11,361
<i>Total Operating Cash Receipts</i>	<u>1,639,928</u>		<u>1,639,928</u>
<b>Operating Cash Disbursements</b>			
Personal Services	197,354		197,354
Employee Fringe Benefits	95,050		95,050
Contractual Services	1,056,467		1,056,467
Supplies and Materials	62,126		62,126
<i>Total Operating Cash Disbursements</i>	<u>1,410,997</u>		<u>1,410,997</u>
<i>Operating Income</i>	<u>228,931</u>		<u>228,931</u>
<b>Non-Operating (Disbursements)</b>			
Capital Outlay	(143,962)		(143,962)
Principal Retirement	(104,701)		(104,701)
Interest and Other Fiscal Charges	(49,952)		(49,952)
<i>Total Non-Operating (Disbursements)</i>	<u>(298,615)</u>		<u>(298,615)</u>
<i>(Loss) before Transfers</i>	(69,684)		(69,684)
Transfers In	89,268		89,268
Transfers Out	(89,268)		(89,268)
<i>Net Change in Fund Cash Balances</i>	(69,684)		(69,684)
<i>Fund Cash Balances, January 1</i>	<u>1,800,277</u>	<u>\$751</u>	<u>1,801,028</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,730,593</u></u>	<u><u>\$751</u></u>	<u><u>\$1,731,344</u></u>

*See accompanying notes to the basic financial statements*

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Lakeview (the Village), Logan County, 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. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water and electrical utilities, park operations, and street maintenance. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool, Ohio Plan Risk Management. Note 10 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***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 funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not 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.

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

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Income Tax Fund*** This fund receives income tax collected from Village residents and those employed in the Village. The money is restricted to maintaining Village Streets (1%).

***Capital Project Fund*** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

***Other Capital Projects – Fire House Fund*** This fund is for the construction of a new fire house. The revenue into the fund is from a 0.5% income tax levy passed by the citizens of Lakeview and went into effect 01/01/2016. The loan construction phase was completed on 12/31/2016 and payments for the loan will be paid out of this fund.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

**Water Operating Fund** The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Electric Operating Fund** The electric operating fund accounts for the provision of electric services to the residents and commercial users within the Village.

**Water Improvement Fund** The water improvement fund receives user fees and provides for the construction and operations of the water tower.

**Fiduciary Fund** Fiduciary fund includes an agency fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for unclaimed monies for the Enterprise funds.

**Basis of Accounting**

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

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

**Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

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

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

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

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

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

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

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016, follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$235,283	\$283,703	\$48,420
Special Revenue	259,300	264,780	5,480
Capital Projects	1,106,000	1,030,598	(75,402)
Enterprise	1,771,200	1,729,196	(42,004)
Agency	0	0	0
Total	\$3,371,783	\$3,308,277	(\$63,506)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$289,075	\$188,296	\$100,779
Special Revenue	377,000	123,142	253,858
Capital Projects	1,003,000	1,002,611	389
Enterprise	2,535,259	1,805,014	730,245
Agency	300	0	300
Total	\$4,204,634	\$3,119,063	\$1,085,571

**Note 4 – Deposits and Investments**

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

Demand deposits	2016 \$2,209,048
Certificates of deposit	200,000
Total deposits	\$2,409,048

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 - Risk Management**

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

See Note 10 for the Ohio Plan Risk Management, Inc. information.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 7 - Defined Benefit Pension Plans (Continued)**

**Social Security**

Three of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Osgood State Bank - Loan 35460 - Fire Dept.	\$958,555	3.49%
Osgood State Bank - Loan 34444 - N. Main St	435,982	3.85%
Bank Loan - Equipment	15,875	2.76%
OWPC Loan - CM29D - Water Tower	18,750	0.00%
OWDA Loan 3417 - Elevated Tank	102,858	5.39%
OWDA Loan 5790 - Water Plant	2,214,046	2.00%
Total	\$3,746,066	

The Osgood State Bank – Loan 35460 – Fire Dept. relates to the Fire House construction project that took place in 2016. The loan was issued in 2016 at a 3.49% interest rate and is paid in semi-annual installments of \$41,316 over 10 years.

The Osgood State Bank – Loan 34444 – N. Main St. relates to the North Main Street reconstruction project. This loan was issued in 2014 at a 3.85% interest rate and is paid in semi-annual installments of \$22,101 over 15 years.

The Bank Loan – Equipment was issued by Kansas State Bank of Manhattan in 2013 for the purchase of Village equipment trucks. The loan was issued at 2.76% interest for a five year period with annual payments of \$16,313.

The Ohio Public Works Commission (OPWC) issued loan CM29D to the Village in 2001 for the purpose of the construction of the new water tower. The loan was issued at a 0.00% interest with semi-annual installments of \$1,875 over a 20 year period.

The Ohio Water Development Authority (OWDA) issued loan 3417 to the Village in 2003 for purposes of the construction of the new water tank. The loan was issued in 2002 at a 5.39% interest rate with semi-annual payment of \$13,023 over a 30 year period with a subsidy calculation for the last 6 years of payments.



**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 9 – Debt (Continued)**

The OWDA issued loan 5790 to the Village in 2012 for the construction of the new water treatment plant. The loan was issued at a 2.00% interest rate with semi-annual payments of \$56,486 over a 30 year period.

**Amortization**

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

Year Ending December 31:	Osgood State Bank - Loan 35460 - Fire Dept.	Osgood State Bank - Loan 34444 - N. Main St.	Bank Loan - Equipment	OPWC Loan - CM29D - Water Tower	OWDA Loan 3417 - Elevated Tank	OWDA Loan 5790 - Water Plant
2017	\$82,632	\$44,202	\$15,875	\$3,750	\$24,688	\$112,972
2018	82,632	44,202		3,750	24,981	112,972
2019	82,632	44,202		3,750	25,289	112,972
2020	82,632	44,202		3,750	25,615	112,972
2021	82,632	44,202		3,750	12,935	112,972
2022-2026	906,418	221,010				564,860
2027-2031		110,290				564,860
2032-2036						564,860
2037-2041						564,860
Total	<u>\$1,319,578</u>	<u>\$552,310</u>	<u>\$15,875</u>	<u>\$18,750</u>	<u>\$113,508</u>	<u>\$2,824,300</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,388 kilowatts of a total 771,281 kilowatts, giving the Village a 0.18 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$238,041. The Village received a credit of \$76,298 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$62,772 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). Additionally, the Village made payments of \$150,513, leaving an estimated net credit balance of impaired costs of \$51,542. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS project costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's credit balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement amount the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

**Village of Lakeview, Ohio**  
*Logan County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 9 – Debt (Continued)**

Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$2,415, and interest credited to the Village has been \$1,455, resulting in a net credit balance at December 31, 2016, of \$50,582. The Village does have a potential PHFU Liability of \$64,566 resulting in a net total potential liability of \$13,984, assuming the assets making up the PHFU (principally the land comprising of the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHGU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such as negative items as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

**Note 10 – Public Entity Risk Pool**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

*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 equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Lakeview  
Logan County  
126 North Main Street  
PO Box 197  
Lakeview, Ohio 43331

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Lakeview, Logan County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 17, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2017-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-002 described in the accompanying schedule of findings to be a significant deficiency.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as 2017-001.

**Village's Response to Findings**

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

**Purpose of this Report**

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 17, 2018

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Noncompliance and Material Weakness – Financial Reporting**

**Ohio Admin. Code § 117-2-02(A)** states “all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.”

**Ohio Rev. Code § 733.28** states, in part, the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following misstatements occurred on the Village's financial statements and/or accounting records:

- Enterprise Fund utility bill surcharge fees of \$89,536 and \$87,607 were posted to special assessments rather than charges for services in 2017 and 2016, respectively.
- Enterprise Fund debt principal and interest payments of \$13,313 and \$16,313 were posted as capital outlay in 2017 and 2016, respectively.
- General Fund subsequent appropriations over estimated receipts of \$153,941 and \$119,680 were posted as unassigned fund balance rather than assigned fund balance in 2017 and 2016 respectively.

Additionally, the Village credited kilowatt hour (KWH) tax to the General fund as required by Ohio Rev. Code § 5727.81(E); however, the Village posted these into the Electric fund first and then transferred the monies into the General fund. The monies should be directly posted to the General fund. As a result, adjustments of \$30,839 and \$33,512 were made to the General Fund and Enterprise Electric Fund to record the activity properly in 2017 and 2016, respectively.

Finally, the Village did not include the Budgetary, Tax, Postemployment Benefits, and part of the Debt financial statement notes in fiscal year 2017 and 2016 and the Deposits and Investments note in 2016.

The misstatements noted are reflected in the accompanying financial statements and have been posted to the Village's accounting records where necessary.

In addition to the adjustments and reclassifications listed above, additional misstatements ranging from \$51 to \$5,410 have been identified and brought to the Village's attention. Misstatements result from changes in accounting regulations and reporting.

The failure to correctly classify and include financial activity in the accounting records, financial statements, and notes may impact the users' understanding of the financial operations, the Village Council's and management's ability to make sound financial decisions or comply with budgetary laws, and could result in materially misstated reports.

**FINDING NUMBER 2017-001  
(Continued)**

The Village should implement policies and procedures to provide for accurate and complete recording of financial activity and balances in the accounting records, financial statements, and notes to assist in the effective management and reporting of financial resources. Additionally, the Village should review AoS Bulletin 2001-011 and the Ohio Compliance Supplement regarding KWH tax accounting.

**Official's Response:**

- The Enterprise Fund utility bill surcharge fees were posted to special assessments rather than charges for services in 2016 and 2017. This is being changed this week to show that the fees for the CIWA fund will go into a charges for services account line item instead of a special assessment line item.
- Enterprise Fund debt principal and interest payments were posted as a capital outlay item. This was strictly an error and will not happen again. All debt is normally paid and broken down into principal and interest.
- The General Fund appropriations over estimated receipts were posted as unassigned funds rather than assigned funds. This has been explained and I will do my best to make sure they are reported correctly in the future.
- Additionally, the Village credited KWH tax to the Electric Fund and transferred it to the General Fund. I understand now that it has to be receipted into the General Fund and it has been fixed effective today.
- The Budgetary, Tax, Postemployment Benefits, and Debt Financial statement notes were not included in the financial notes of the AFR. They will be included from now on.
- All misstatements noted have been posted to the Village's accounting records where necessary.

**FINDING NUMBER 2017-002**

**Significant Deficiency – Deficiencies Involving Income Tax Collections**

The Village contracts with an independent contractor to perform the duties and serve in the capacity of the Income Tax Commissioner for the Village. The contract outlines responsibilities of both the Village and the independent contractor including the following:

- Contractor shall enforce and apply the income tax ordinance of the Village and obtain, design or produce all documents necessary for the collections and reporting of income tax obligations.
- Contractor shall work with the Fiscal Officer or Village designee to ensure all receipts are turned over to the Fiscal Officer for deposit in the designated funds by the Council of the Village.
- Village shall pay to the Contractor a commission sum equal to 9% of the total income tax deposited in the specified funds on a monthly basis upon the presentation of a statement by Contractor and confirmed by the Fiscal Officer.
- Contractor shall obtain an annual Tier II SAS 70 audit and provide the Village with a copy.

During 2017 and 2016, the following deficiencies were identified in the collection of income tax receipts:

- Inconsistencies were noted with how the penalties, interest, fees, and charges were calculated due to inconsistencies between the ordinances, tax forms, and the contractor's procedures.
- Proper documentation of write-offs and waiving of penalties, interest, fees and charges were not always documented and maintained. While the ordinance indicates the Tax Administrator may abate or partially abate penalties or interest imposed when the Tax Administrator deems such abatement or partial abatement to be appropriate, documentation of the approvals should be obtained from Council and maintained.

**FINDING NUMBER 2017-002  
(Continued)**

- Timely reviews of the income tax forms were not always performed; therefore, any errors were not noted or addressed in a timely manner.
- The service organization did not receive any type of report on its systems and controls as indicated in the contract.

These deficiencies affected the ability to ensure consistency was applied when calculating the penalties, interest, fees, charges, and write-offs. Additionally, due to untimely reviews and/or filing from residents with incorrect tax forms, errors were not caught and/or documented.

The Village should receive support that shows the contractor (service organization) is following the ordinances approved by Council in determining penalties, interest, fees, and charges on late income tax returns. In addition, the ordinance and contractor agreement should clearly document Council's intentions on how write-offs and waiving of penalties, interest, fees and charges should be handled and documented. The Village should also develop policies governing the procedures to be followed for late filings to ensure proper forms and amounts are utilized. Council should ensure the tax forms provided to residents include all applicable information as approved in the tax ordinances and the forms are approved annually. Failure to implement additional controls and ensure proper amounts are approved could result in loss of income tax revenue and/or excess fees paid to the contractor.

The Village Council should be involved in the process of determining any write-offs or waiving of penalties, interest, fees, and charges. The service organization should obtain an annual report on its systems and controls (SOC 1 report) as stipulated by the contract. Lack of a proper systems and controls audit could result in further significant deficiencies and/or material weaknesses over the income tax receipts.

**Official's Response:**

Deficiencies Involving Income Tax Collections were reviewed according to the contract that the Village has with the independent contractor to perform the duties and serve in the capacity of the Income Tax commissioner for the Village. The Village understands that there were deficiencies in the collection of the income tax receipts. The Village will be drafting up a whole new contract for the Tax Administrator later this year as the contract renews the end of this year. We will be asking for documentation in writing anytime there is penalties, interest, late fees, etc. waived stating the reason why and will make sure the tax forms comply and match the specific ordinance that they should. Council will be implementing additional internal controls to ensure that we are collecting the proper amount of income tax revenue and/or fees paid to contractor. Council will be approving any write-offs or waiving of any penalties, interest, fees, and charges. Council will also be sure they are getting the SOC 1 report as stated in the contract.

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# Dave Yost • Auditor of State

VILLAGE OF LAKEVIEW

LOGAN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER, 11 2018