



**VILLAGE OF LAKELINE  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF LAKELINE  
LAKE COUNTY

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**STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Lakeline  
Lake County  
33801 Lakeshore Boulevard  
Lakeline, Ohio 44095

To the Village Council:

We have audited the accompanying financial statements of the Village of Lakeline, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lakeline, Lake County, Ohio as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

August 28, 2002

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**VILLAGE OF LAKELINE  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax	\$12,855	\$0	\$12,855
Special Assessments	0	32,309	32,309
Intergovernmental Receipts	37,374	6,235	43,609
Fines, Licenses, and Permits	265	0	265
Earnings on Investments	7,748	0	7,748
Miscellaneous	1,572	2,773	4,345
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	59,814	41,317	101,131
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	21,112	0	21,112
Community Environment	9,109	0	9,109
Basic Utility Services	7,854	0	7,854
General Government	11,066	919	11,985
Debt Service:			
Principal Payments	0	11,471	11,471
Interest Payments	0	10,722	10,722
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	49,141	23,112	72,253
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	10,673	18,205	28,878
Fund Cash Balances, January 1, 2001	<hr/>	<hr/>	<hr/>
	69,455	94,550	164,005
<b>Fund Cash Balances, December 31, 2001</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>\$80,128</b>	<b>\$112,755</b>	<b>\$192,883</b>

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

**VILLAGE OF LAKELINE  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax	\$10,031	\$0	\$10,031
Special Assessments	0	32,184	32,184
Intergovernmental Receipts	40,386	8,042	48,428
Fines, Licenses, and Permits	428	0	428
Earnings on Investments	9,270	0	9,270
Miscellaneous	1,241	3,350	4,591
	<u>61,356</u>	<u>43,576</u>	<u>104,932</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	21,959	0	21,959
Community Environment	9,327	0	9,327
Basic Utility Services	10,421	0	10,421
General Government	14,244	1,530	15,774
Debt Service:			
Principal Payments	0	11,471	11,471
Interest Payments	0	10,722	10,722
	<u>55,951</u>	<u>23,723</u>	<u>79,674</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>5,405</u>	<u>19,853</u>	<u>25,258</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Advance-In	35,266		35,266
Advance-Out		(35,266)	(35,266)
	<u>35,266</u>	<u>(35,266)</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	40,671	(15,413)	25,258
Fund Cash Balances, January 1, 2000	<u>28,784</u>	<u>109,963</u>	<u>138,747</u>
<b>Fund Cash Balances, December 31, 2000</b>	<b><u>\$69,455</u></b>	<b><u>\$94,550</u></b>	<b><u>\$164,005</u></b>

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



**Village of Lakeline  
Lake County**

**Notes to the Financial Statement  
For the Years Ended December 31, 2001 and 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Lakeline, Lake County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including street maintenance and building inspections. The Village contracts with the City of Eastlake for fire, ambulance and police services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

The Village invested in STAR Ohio (the State Treasurer's investment pool) which is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

*Sanitary Sewer Fund* - This fund special assessment revenues used for the retirement of the Village sanitary sewer loan.

**Village of Lakeline  
Lake County**

**Notes to the Financial Statement  
For the Years Ended December 31, 2001 and 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control for the General Fund and the fund level for all other funds, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$6,536	\$3,407
Total deposits	<u>6,536</u>	<u>3,407</u>
STAR Ohio	186,347	160,598
Total investments	<u>186,347</u>	<u>160,598</u>
Total deposits and investments	<u>\$192,883</u>	<u>\$164,005</u>

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

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

**Village of Lakeline  
Lake County**

**Notes to the Financial Statement  
For the Years Ended December 31, 2001 and 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,154	\$59,814	(\$65,340)
Special Revenue	38,851	41,317	2,466
Total	\$164,005	\$101,131	(\$62,874)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,350	\$49,141	(\$791)
Special Revenue	24,700	23,112	1,588
Total	\$73,050	\$72,253	\$797

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,331	\$61,356	(\$27,975)
Special Revenue	32,766	43,576	10,810
Total	\$122,097	\$104,932	(\$17,165)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,325	\$55,951	(\$10,626)
Special Revenue	24,700	23,723	977
Total	\$70,025	\$79,674	(\$9,649)

As of December 31, 2001, the General Fund – Community Environment and General Government and the Special Revenue – Street Construction Maintenance and Repair Fund had total expenditures in excess of the amount appropriated in the amounts of \$6,909, \$1,816 and \$419 respectively.

As of December 31, 2000, the General Fund – Community Environment, Basic Utilities, and General Government and Special Revenue – Street Construction Maintenance and Repair Fund line items had total expenditures in excess of the amount appropriated in the amounts of \$7,327, \$2,081, \$6,244 and \$1,030 respectively.

**Village of Lakeline  
Lake County**

**Notes to the Financial Statement  
For the Years Ended December 31, 2001 and 2000  
(Continued)**

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Public Works Loan	\$259,655	4.04%

The Ohio Public Works Loan relates to a 1996 sanitary sewer construction and maintenance project. The loan will be repaid in semiannual installments over 20 years.

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

	OPWC Loan
Year ending December 31:	
2002	\$22,192
2003	22,912
2004	22,192
2005	22,192
2006	22,192
2007 - 2011	110,960
2012 - 2016	110,960
2017	22,192
Total	\$355,792

**Village of Lakeline  
Lake County**

**Notes to the Financial Statement  
For the Years Ended December 31, 2001 and 2000  
(Continued)**

**6. RETIREMENT SYSTEMS**

Several Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 10.84%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**7. RISK POOL MEMBERSHIP**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**8. NORTHEAST OHIO PUBLIC ENERGY COUNCIL**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

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

Village of Lakeline  
Lake County  
33801 Lakeshore Boulevard  
Lakeline, Ohio 44095

To the Village Council:

We have audited the accompanying financial statements of the Village of Lakeline, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 28, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-30843-001 through 2001-30843-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 28, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 28, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

August 28, 2002



**VILLAGE OF LAKELINE  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2001-30843-001</b>
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**Expenditures Exceeding Appropriations**

Ohio Rev. Code Section 5705.41(B) prohibits an expenditure of money unless it has been appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by Village Council may not exceed appropriations at the fund, function or object level of control for the General Fund and the fund level for all other funds, and appropriations may not exceed estimated resources. As disclosed in Note 3 to the Village's cash basis financial statements, the following funds had expenditures that exceeded appropriations:

<b>2001</b>	<b><u>Actual</u></b>			
	<b><u>Expenses</u></b>	<b><u>Appropriations</u></b>	<b><u>Excess</u></b>	<b><u>Percent</u></b>
<b>General Fund:</b>				
Community Environment	\$9,109	\$2,200	(\$6,909)	-314%
General Government	11,066	9,250	(1,816)	-20%

<b>Special Revenue Fund:</b>				
Street, Construction, Maintenance and Repair	919	500	(419)	-84%

<b>2000</b>	<b><u>Actual</u></b>			
	<b><u>Expenses</u></b>	<b><u>Appropriations</u></b>	<b><u>Excess</u></b>	<b><u>Percent</u></b>
<b>General Fund:</b>				
Community Environment	\$9,327	\$2,000	(\$7,327)	-366%
Basic Utility Services	10,421	8,340	(2,081)	-25%
General Government	14,244	8,000	(6,244)	-78%

<b>Special Revenue Fund:</b>				
Street, Construction, Maintenance and Repair	1,530	500	(1,030)	-206%

We recommend the Village compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to ensure compliance with the above requirements. This comparison should be completed on a monthly basis at a minimum.

<b>Finding Number</b>	<b>2001-30843-002</b>
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**State Payroll Withholding**

Ohio Revised Code Section 5747.06, requires in part that every employer, including the state and its political subdivisions, to deduct and withhold from compensation paid to each employee, state income tax for each payroll period. One exception being a regular employee earning less than three hundred dollars in a calendar quarter. This section also requires the employer to furnish a written statement of earnings and deductions made to each employee for the calendar year.

VILLAGE OF LAKELINE  
LAKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)

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

**Finding Number**

**2001-30843-002**

**State Payroll Withholding (Continued)**

Ohio Revised Code Section 5747.07, requires in part that the employer is liable for payment of withholdings tax whether or not such tax has been withheld from employees compensation.

During Fiscal Year 2000 and Fiscal Year 2001, the Clerk-Treasurer and Solicitor had compensation greater than \$300 per quarter and the Village did not withhold or report the appropriate state taxes to the State of Ohio. We recommend that the Village deduct and withhold the appropriate amount in accordance with the above Ohio Revised Code Section. If this matter is not corrected prior to the next audit, it will be referred to the Ohio Department of Taxation.

**Finding Number**

**2001-30843-003**

**Internal Revenue Code**

26 USC 3102 and 3402 requires an employer, which in any calendar year pays to an employee cash remuneration, to withhold from employees, the appropriate federal and FICA taxes. Additionally, the employer is responsible to pay an amount equal to the FICA taxes withheld from employees.

Internal Revenue Regulation 31.6011(b) -1, requires employers to report all compensation on Form W-2. In Fiscal Year 2000 and Fiscal Year 2001, the Mayor, Clerk Treasurer and Solicitor were paid more than \$600 and received 1099's. All other employees earned less than \$600 and did not receive a W-2 or a 1099. Also, no employees of the Village had the proper taxes withheld nor did the Village pay its appropriate share.

We recommend that the Village withhold and pay all taxes in accordance with the Internal Revenue Sections above and issue a W-2 for all employees. If this matter is not corrected prior to the next audit, it will be referred to the Internal Revenue Service.

**Finding Number**

**2001-30843-004**

**Misallocation of Revenue**

Ohio Revised Code Section 5705.10, states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

In Fiscal Year 2000 and Fiscal Year 2001, the Village posted License, Permissive, and Gas Tax revenues to the general fund instead of their appropriate Special Revenue Fund. These amounts were corrected in the Villages financial statements. We recommend that the Village post all License, Permissive, and Gas Tax revenues to the appropriate funds.

**VILLAGE OF LAKELINE  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-30843-001	Ohio Revised Code Section 5705.41(D)	No	Included in Management Letter
1999-30843-002	Ohio Revised Code Section 5705.39	Yes	
1999-30843-003	Ohio Revised Code Section 5705.41(B)	No	Re-issued as 2001-30843-001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**VILLAGE OF LAKELINE**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 3, 2002**