

***VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Lakeview  
126 North Main Street  
P.O. Box 197  
Lakeview, Ohio 43331

We have reviewed the *Report of Independent Accountants* of the Village of Lakeview, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 19, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**This Page is Intentionally Left Blank.**

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2007 & 2006**

**TABLE OF CONTENTS**

<u><b>Title</b></u>	<u><b>Page</b></u>
<b>Report of Independent Accountants</b>	<b>1-2</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Type - For the Year Ended December 31, 2007</b>	<b>3</b>
<b>Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances- Proprietary Fund Type - For the Year Ended December 31, 2007</b>	<b>4</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Type - For the Year Ended December 31, 2006</b>	<b>5</b>
<b>Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances- Proprietary Fund Type- For the Year Ended December 31, 2006</b>	<b>6</b>
<b>Notes to the Financial Statements</b>	<b>7-15</b>
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i></b>	<b>16-17</b>
<b>Schedule of Findings</b>	<b>18-19</b>
<b>Schedule of Prior Audit Findings</b>	<b>20</b>

**This Page is Intentionally Left Blank.**

Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Lakeview  
Logan County  
125 N. Main Street  
Lakeview, Ohio 43331

To Village Council:

We have audited the accompanying financial statements of the Village of Lakeview, Logan County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Income tax receipts reported in the Village's Special Revenue 1% Income Tax Fund are processed by a service organization that is independent of the Village. This service organization did not provide us with evidence regarding the design or proper operation of its internal control system. As a result, we were unable to perform procedures to satisfy ourselves as to the processing of the income tax receipts in the amount of \$188,415 during 2007, and \$208,169 during 2006, which represent 100% of the receipts reported in the Special Revenue Fund Type line item Municipal Income Tax in the Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances- All Governmental Fund Types.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position, or its cash flows for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding income tax receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Lakeview, Logan County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2008, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
June 23, 2008



**VILLAGE OF LAKEVIEW**  
**LOGAN COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property Taxes	\$ 31,864	\$ 5,438	\$ 37,302
Municipal Income Tax	-	188,415	188,415
Intergovernmental	56,454	55,382	111,836
Charges for Services	127,131	1,000	128,131
Fines, Licenses and Permits	8,023	-	8,023
Interest	68,940	-	68,940
Other	18,013	-	18,013
<b>Total Receipts</b>	<b>310,425</b>	<b>250,235</b>	<b>560,660</b>
<b>Disbursements:</b>			
Security of Persons & Property	67,180	-	67,180
Leisure Time Activities	-	2,108	2,108
Basic Utility Services	3,315	6,000	9,315
Transportation	13,180	55,297	68,477
General Government	127,325	32,759	160,084
Capital Outlay	-	74,678	74,678
Debt Service:			
Principal Retirement	-	70,000	70,000
Interest	-	31,767	31,767
<b>Total Disbursements</b>	<b>211,000</b>	<b>272,609</b>	<b>483,609</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>99,425</b>	<b>(22,374)</b>	<b>77,051</b>
<b>Fund Cash Balance, January 1, 2007</b>	<b>190,163</b>	<b>187,348</b>	<b>377,511</b>
<b>Fund Cash Balance, December 31, 2007</b>	<b>\$ 289,588</b>	<b>\$ 164,974</b>	<b>\$ 454,562</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LAKEVIEW**  
**LOGAN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES -PROPRIETARY FUND TYPE**  
**For the Year Ended December 31, 2007**

	<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>
<b>Receipts:</b>	
Charges for Services	\$ 1,193,610
<b>Total Receipts</b>	<u>1,193,610</u>
<b>Disbursements:</b>	
Personal Services	128,241
Employee Fringe Benefits	57,090
Contractual Services	645,265
Material and Supplies	<u>134,615</u>
<b>Total Disbursements</b>	<u>965,211</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>228,399</b>
<b>Non-Operating Receipts:</b>	
Special Asssments	<u>12,479</u>
<b>Total Non-Operating Receipts</b>	<b>12,479</b>
<b>Non-Operating Disbursements:</b>	
Debt Service	
Principal Retirement	(465,958)
Interest and Fiscal Charges	(51,738)
Capital Outlay	<u>(14,460)</u>
<b>Total Nonoperating Disbursements</b>	<u>(532,156)</u>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>(291,278)</b>
<b>Fund Cash Balance, January 1, 2007</b>	<u>1,119,052</u>
<b>Fund Cash Balance, December 31, 2007</b>	<u><u>\$ 827,774</u></u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LAKEVIEW**  
**LOGAN COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property Taxes	\$ 33,681	\$ 5,649	\$ 39,330
Municipal Income Tax	-	208,169	208,169
Intergovernmental	53,822	53,867	107,689
Charges for Services	119,628	1,000	120,628
Fines, Licenses and Permits	7,911	-	7,911
Interest	65,907	-	65,907
Other	5,834	-	5,834
	<hr/>	<hr/>	<hr/>
<b>Total Receipts</b>	<b>286,783</b>	<b>268,685</b>	<b>555,468</b>
<b>Disbursements:</b>			
Security of Persons & Property	57,766	-	57,766
Leisure Time Activities	-	519	519
Community Environment	330	-	330
Basic Utility Services	4,020	-	4,020
Transportation	16,246	74,747	90,993
General Government	112,000	26,848	138,848
Capital Outlay	-	20,785	20,785
Debt Service:			
Principal Retirement	373	70,000	70,373
Interest	5	29,784	29,789
	<hr/>	<hr/>	<hr/>
<b>Total Disbursements</b>	<b>190,740</b>	<b>222,683</b>	<b>413,423</b>
<b>Total Receipts Over/(Under)</b>			
<b>Disbursements</b>	<b>96,043</b>	<b>46,002</b>	<b>142,045</b>
<b>Fund Cash Balance, January 1, 2006</b>	<b>94,120</b>	<b>141,346</b>	<b>235,466</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balance, December 31, 2006</b>	<b>\$ 190,163</b>	<b>\$ 187,348</b>	<b>\$ 377,511</b>
	<hr/>	<hr/>	<hr/>
<b>Reserve for Encumbrances, December 31, 2006</b>	<b>\$ 6,515</b>	<b>\$ 2,356</b>	<b>\$ 8,871</b>
	<hr/>	<hr/>	<hr/>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LAKEVIEW**  
**LOGAN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES -PROPRIETARY FUND TYPE**  
**For the Year Ended December 31, 2006**

	<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>
<b>Receipts:</b>	
Charges for Services	\$ <u>1,271,016</u>
<b>Total Receipts</b>	<u>1,271,016</u>
<b>Disbursements:</b>	
Personal Services	137,836
Employee Fringe Benefits	60,731
Contractual Services	630,599
Material and Supplies	<u>93,730</u>
<b>Total Disbursements</b>	<u>922,896</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>348,120</b>
<b>Non-Operating Receipts:</b>	
Special Assssemments	<u>12,836</u>
<b>Total Non-Operating Receipts</b>	<b>12,836</b>
<b>Non-Operating Disbursements:</b>	
Debt Service	
Principal Retirement	(90,325)
Interest and Fiscal Charges	(27,821)
Capital Outlay	<u>(125,435)</u>
<b>Total Nonoperating Disbursements</b>	<u>(243,581)</u>
<b>Excess of Receipts and Nonoperating Receipts</b> <b>Over (Under) Disbursements and Nonoperating</b> <b>Disbursements</b>	<b>117,375</b>
<b>Fund Cash Balance, January 1, 2006</b>	<u>1,001,677</u>
<b>Fund Cash Balance, December 31, 2006</b>	<u>\$ 1,119,052</u>
<b>Reserve for Encumbrances, December 31, 2006</b>	<u>\$ 62,678</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LAKEVIEW**  
**LOGAN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

The Village's management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction, Maintenance and Repair Fund—Receives gasoline and motor vehicle excise taxes for constructing, maintaining and repairing Village roads.
- 1% Income Tax Fund—Receives income tax collected from Village residents and those employed in the Village. The money is restricted to maintaining Village streets.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Water Operating Fund- Receives user fees and provides for the operations of the water department.
- Electric Operating Fund- Receives user fees and provides for the operation of the electric system.

**VILLAGE OF LAKEVIEW**  
**LOGAN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2006 and 2007. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$967,336	\$1,181,563
Certificates of Deposit	<u>315,000</u>	<u>315,000</u>
Total Deposits	<u>\$1,282,336</u>	<u>\$1,496,563</u>



**VILLAGE OF LAKEVIEW**  
**LOGAN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

<u>Fund:</u>	<u>2007 Budgeted vs Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 249,000	\$ 310,425	\$ 61,425
Special Revenue Funds	238,701	250,235	11,534
Enterprise Funds	1,207,796	1,206,089	(1,707)

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

4. BUDGETARY ACTIVITY- (Continued)

2007 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 400,750	\$ 211,000	\$ 189,750
Special Revenue Funds	413,675	272,609	141,066
Enterprise Funds	2,271,796	1,497,367	774,429

2006 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 260,000	\$ 286,783	\$ 26,783
Special Revenue Funds	209,700	268,685	58,985
Enterprise Funds	1,207,796	1,283,852	76,056

2006 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 311,120	\$ 197,255	\$ 113,865
Special Revenue Funds	351,047	225,039	126,008
Enterprise Funds	2,209,473	1,229,155	980,318

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer plans. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 9.0% in 2006 and 9.5% in 2007 of their gross pay while the Village contributed an amount equal to 13.70% in 2006 and 13.85% in 2007 of covered payroll. The Village paid all required contributions through 2007.

6. RISK MANAGEMENT

RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 515 Ohio governments in 2006.

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT- (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs.

The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

In 2002, the Plan elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

The Plan's audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and Member's Equity at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	<u>3,329,620</u>	<u>2,748,639</u>
Member's Equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>

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

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

**VILLAGE OF LAKEVIEW**  
**LOGAN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT- (Continued)

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverages significantly during the year.

7. DEBT

Debt outstanding at December 31, 2007 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
OWDA	\$ 247,553	5.39%
Ohio Public Works Commission	50,625	0.00%
Bond Anticipation Notes-SR 235 Project	360,700	6.50%
Total	<u>\$658,878</u>	

Principal and interest requirements for debt outstanding at December 31, 2007 is as follows:

<u>Year</u> <u>Ended</u>	OWDA	OPWC	Bank Note
2008	\$ 26,046	\$3,750	\$74,650
2009	26,046	3,750	71,350
2010	26,046	3,750	68,050
2011	26,046	3,750	64,750
2012	26,046	3,750	61,450
2013-2017	130,230	18,750	257,750
2018-2020	91,154	13,125	21,650
Total	<u>\$351,614</u>	<u>\$50,625</u>	<u>\$619,650</u>

8. INCOME TAX

The Village levies an income tax of 1.00 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.

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

---

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Lakeview  
Logan County  
126 N. Main Street  
Lakeview, Ohio 43331

To Village Council:

We have audited the financial statements of the Village of Lakeview, Logan County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 23, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and wherein we noted that we were not able to perform procedures to satisfy ourselves as to the processing of income tax receipts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings as items 2007-LAKE-01 thru 03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

#### Compliance and Other Matters

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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

We also noted other matters involving internal control over financial reporting that we have reported to management of the Village in a separate letter dated June 23, 2008.

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

***Charles E. Harris and Associates, Inc.***

June 23, 2008

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
SCHEDULE OF FINDINGS  
For the Years Ended December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2007-LAKE-01-Material Weakness**

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

We recommend the Village implement procedures to monitor the Tax Administrator. We also recommend that the Village require the Tax Administrator to obtain an annual Tier II SAS 70 audit and to provide the Village with a copy of that audit on a timely basis.

Management indicated that they have revised the contract with the Tax Administrator to require a Tier II SAS 70 audit.

**Finding Number 2007-LAKE-02-Material Weakness**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. For January 1, 2006 through December 31, 2007, the Village did not resolve various differences between the adjusted bank balance and the cash and investment balance reflected in the Village's accounting records. These differences were caused because the investment balance recorded in the Village's accounting system (UAN system) was incorrectly stated and interest related to a savings account was not recorded. The book balance was understated by \$28,000 and \$47,000 at December 31, 2006 and 2007, respectively. The annual reports for these years were filed with the Auditor of State with these unresolved differences. The financial statements accompanying this report have been adjusted and the Village has agreed with these adjustments.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.



**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
SCHEDULE OF FINDINGS  
For the Years Ended December 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2005-LAKE-02-Material Weakness-(Continued)**

We recommend that the Village record interest earned on the savings account on a monthly basis and contact the Local Government Services Division of the Auditor of State's Office to obtain assistance in correcting their cash and investment balance.

Management indicated they concurred and will request assistance from the Auditor of State.

**Finding Number 2007-LAKE-03-Significant Deficiency/Material Weakness**

Debt service payments on Village debt were incorrectly classified as capital outlay or general governmental expenditures or were improperly allocated between principal and interest during 2007 and 2006. The payments have been reclassified to reflect the proper presentation and management has agreed with these adjustments.

We recommend that the expenditures be recorded in accordance with the classifications found in the *Ohio Village Officers' Handbook*.

Management indicated they concurred with the adjustments and will refer to the Ohio Village Officers' Handbook for guidance on classification of expenditures.

**VILLAGE OF LAKEVIEW  
LOGAN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ended December 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-LAKE-01	Material Weakness- Income Tax Administrator not properly monitored	No	Repeated as 2007- LAKE-01
2005-LAKE-02	Material Weakness- Bank Accounts not properly reconciled	No	Repeated as 2007- LAKE-02



**Mary Taylor, CPA**  
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  
OCTOBER 2, 2008**