

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 & 2012





Dave Yost • Auditor of State

Village Council
Village of Lakeview
125 North Main Street
Lakeview, Ohio 43331

We have reviewed the *Independent Auditor's Report* of the Village of Lakeview, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 28, 2014

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**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2013 and 2012**

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

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Lakeview, Logan County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

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 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 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position or cash flows 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 combined cash balances of the Village of Lakeview, Logan County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014, 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.



Charles E. Harris & Associates, Inc.

June 6, 2014

**VILLAGE OF LAKEVIEW
LOGAN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2013**

| | <u>Governmental Fund Types</u> | | <u>Totals- (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Receipts: | | | |
| Property Taxes | \$ 31,928 | \$ 5,609 | \$ 37,537 |
| Municipal Income Tax | - | 196,044 | 196,044 |
| Intergovernmental | 92,585 | 51,755 | 144,340 |
| Charges for Services | 159,533 | 2,788 | 162,321 |
| Fines, Licenses and Permits | 7,876 | - | 7,876 |
| Earnings on Investments | 3,478 | - | 3,478 |
| Miscellaneous | 12,568 | - | 12,568 |
| Total Receipts | 307,968 | 256,196 | 564,164 |
| Disbursements: | | | |
| Current: | | | |
| Security of Persons & Property | 147,821 | - | 147,821 |
| Leisure Time Activities | - | 554 | 554 |
| Basic Utility Service | 4,782 | - | 4,782 |
| Transportation | 15,538 | 103,522 | 119,060 |
| General Government | 158,900 | 34,156 | 193,056 |
| Debt Service: | | | |
| Principal | - | 14,238 | 14,238 |
| Interest and Fiscal Charges | - | 2,075 | 2,075 |
| Total Disbursements | 327,041 | 154,545 | 481,586 |
| Total Receipts Over/(Under) Disbursements | (19,073) | 101,651 | 82,578 |
| Fund Cash Balance, January 1, 2013 | 224,782 | 343,518 | 568,300 |
| Fund Balances: | | | |
| Restricted | - | 445,169 | 445,169 |
| Unassigned | 205,709 | - | 205,709 |
| Fund Cash Balance, December 31, 2013 | \$ 205,709 | \$ 445,169 | \$ 650,878 |

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
Proprietary Fund Type
For the Year Ended December 31, 2013**

| | Enterprise |
|---|---------------------|
| Receipts: | |
| Charges for Services | \$ 1,536,094 |
| Total Receipts | 1,536,094 |
| Disbursements: | |
| Personal Services | 161,710 |
| Employee Fringe Benefits | 66,492 |
| Contractual Services | 967,434 |
| Supplies and Materials | 145,812 |
| Total Disbursements | 1,341,448 |
| Excess of Receipts Over/(Under) Disbursements | 194,646 |
| Nonoperating Receipts (Disbursements): | |
| Special Assessments | 14,142 |
| Capital Outlay | (4,374) |
| Principal Retirement | (91,113) |
| Interest and Fiscal Charges | (64,357) |
| Total Nonoperating Receipts (Disbursements) | (145,702) |
| Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements | 48,944 |
| Fund Cash Balance, January 1, 2013 | 1,400,300 |
| Fund Cash Balance, December 31, 2013 | \$ 1,449,244 |

See Accompanying Notes to the Financial Statements.

VILLAGE OF LAKEVIEW
LOGAN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2012

| | <u>Governmental Fund Types</u> | | <u>Totals- (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Receipts: | | | |
| Property Taxes | \$ 36,993 | \$ 5,891 | \$ 42,884 |
| Municipal Income Tax | - | 173,924 | 173,924 |
| Intergovernmental | 32,306 | 57,537 | 89,843 |
| Charges for Services | 160,245 | 2,752 | 162,997 |
| Fines, Licenses and Permits | 6,874 | - | 6,874 |
| Earnings on Investments | 7,786 | - | 7,786 |
| Miscellaneous | 4,580 | 671 | 5,251 |
| Total Receipts | 248,784 | 240,775 | 489,559 |
| Disbursements: | | | |
| Current: | | | |
| Security of Persons & Property | 90,932 | - | 90,932 |
| Leisure Time Activities | - | 1,862 | 1,862 |
| Basic Utility Service | 4,419 | - | 4,419 |
| Transportation | 15,136 | 85,548 | 100,684 |
| General Government | 133,550 | 34,588 | 168,138 |
| Capital Outlay | - | 75,229 | 75,229 |
| Debt Service: | | | |
| Principal | - | 64,387 | 64,387 |
| Total Disbursements | 244,037 | 261,614 | 505,651 |
| Total Receipts Over/(Under) Disbursements | 4,747 | (20,839) | (16,092) |
| Other Financing Sources/(Uses): | | | |
| Equipment Loan Proceeds | - | 75,229 | 75,229 |
| Total Other Financing Sources/(Uses) | - | 75,229 | 75,229 |
| Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses | 4,747 | 54,390 | 59,137 |
| Fund Cash Balance, January 1, 2012 | 220,035 | 289,128 | 509,163 |
| Fund Balances: | | | |
| Restricted | - | 343,518 | 343,518 |
| Unassigned | 224,782 | - | 224,782 |
| Fund Cash Balance, December 31, 2012 | \$ 224,782 | \$ 343,518 | \$ 568,300 |

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
Proprietary Fund Type
For the Year Ended December 31, 2012**

| | Enterprise |
|---|---------------------|
| Receipts: | |
| Charges for Services | \$ 1,456,023 |
| Total Receipts | 1,456,023 |
| Disbursements: | |
| Personal Services | 157,573 |
| Employee Fringe Benefits | 77,328 |
| Contractual Services | 935,988 |
| Supplies and Materials | 150,319 |
| Total Disbursements | 1,321,208 |
| Excess of Receipts Over/(Under) Disbursements | 134,815 |
| Nonoperating Receipts (Disbursements): | |
| Special Assessments | 12,426 |
| OWDA Loan Proceeds | 64,021 |
| Capital Outlay | (175,002) |
| Principal Retirement | (87,013) |
| Interest and Fiscal Charges | (64,505) |
| Total Nonoperating Receipts (Disbursements) | (250,073) |
| Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements | (115,258) |
| Fund Cash Balance, January 1, 2012 | 1,515,558 |
| Fund Cash Balance, December 31, 2012 | \$ 1,400,300 |

See Accompanying Notes to the Financial Statements.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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, 2013 and 2012

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.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

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.

E. BUDGETARY PROCESS

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

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 4.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. 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.

1. Nonspendable- The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.
2. 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.
3. Committed- The Village Council can commit amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict 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 the Village Council.
5. 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
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. 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.

H. 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>2013</u> | <u>2012</u> |
|-------------------------|--------------------|--------------------|
| Demand Deposits | \$1,585,122 | \$1,453,600 |
| Certificates of Deposit | <u>515,000</u> | <u>515,000</u> |
| Total Deposits | <u>\$2,100,122</u> | <u>\$1,968,600</u> |

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 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.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

| <u>Fund:</u> | <u>2013 Budgeted vs Actual Receipts</u> | | <u>Variance</u> |
|-----------------------|---|----------------------------------|-----------------|
| | <u>Budgeted</u> <u>Receipts</u> | <u>Actual</u> <u>Receipts</u> | |
| General Fund | \$ 253,713 | \$ 307,968 | \$ 54,255 |
| Special Revenue Funds | 220,000 | 256,196 | 36,196 |
| Enterprise Funds | 1,309,000 | 1,550,236 | 241,236 |

| <u>Fund:</u> | <u>2013 Budgeted vs Actual Budgetary Basis Disbursements</u> | | <u>Variance</u> |
|-----------------------|--|--|-----------------|
| | <u>Appropriation</u> <u>Authority</u> | <u>Budgetary</u> <u>Disbursements</u> | |
| General Fund | \$ 382,850 | \$ 327,041 | \$ 55,809 |
| Special Revenue Funds | 551,364 | 154,545 | 396,819 |
| Enterprise Funds | 2,591,875 | 1,501,292 | 1,090,583 |

| <u>Fund:</u> | <u>2012 Budgeted vs Actual Receipts</u> | | <u>Variance</u> |
|-----------------------|---|----------------------------------|-----------------|
| | <u>Budgeted</u> <u>Receipts</u> | <u>Actual</u> <u>Receipts</u> | |
| General Fund | \$ 236,713 | \$ 248,784 | \$ 12,071 |
| Special Revenue Funds | 217,500 | 316,004 | 98,504 |
| Enterprise Funds | 1,269,000 | 1,532,470 | 263,400 |

| <u>Fund:</u> | <u>2012 Budgeted vs Actual Budgetary Basis Disbursements</u> | | <u>Variance</u> |
|-----------------------|--|--|-----------------|
| | <u>Appropriation</u> <u>Authority</u> | <u>Budgetary</u> <u>Disbursements</u> | |
| General Fund | \$ 411,350 | \$ 244,037 | \$ 167,313 |
| Special Revenue Funds | 461,300 | 261,614 | 199,686 |
| Enterprise Funds | 2,497,073 | 1,647,728 | 849,345 |

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.

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

5. RETIREMENT SYSTEM – (Continued)

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10.0% of their gross pay while the Village contributed an amount equal to 14.00% of covered payroll for both years.

The Village paid all required contributions through 2013.

6. RISK MANAGEMENT

RISK POOL MEMBERSHIP

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

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

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

6. RISK MANAGEMENT - (Continued)

RISK POOL MEMBERSHIP – (Continued)

The Pool'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, 2012 and 2011 (the latest information available):

| | 2012 | 2011 |
|-----------------|--------------|--------------|
| Assets | \$13,100,381 | \$12,501,280 |
| Liabilities | (6,687,193) | (5,328,761) |
| Members' Equity | \$6,413,188 | \$7,172,519 |

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

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.

7. DEBT

Debt outstanding at December 31, 2013 is as follows:

| <u>Description:</u> | <u>Principal</u> | <u>Interest Rate</u> |
|------------------------------|------------------|----------------------|
| OWDA #3417 | \$ 158,956 | 5.39% |
| OWDA #5790 | 2,403,318 | 2.00% |
| Ohio Public Works Commission | 28,125 | 0.00% |
| Bank Loan-Equipment | 60,991 | 2.70% |
| Total | \$2,651,390 | |

**VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

7. DEBT – (Continued)

Principal and interest requirements for debt outstanding at December 31, 2013 is as follows:

| <u>Year Ended</u> | OWDA #3417 | OWDA #5790 | OPWC | Bank Loan |
|-----------------------|------------------|---------------|-----------------|-----------------|
| 2014 | \$26,046 | | \$1,875 | \$16,313 |
| 2015 | 26,046 | Not | 3,750 | 16,313 |
| 2016 | 26,046 | Available | 3,750 | 16,313 |
| 2017 | 26,046 | | 3,750 | 16,313 |
| 2018 | 26,046 | | 3,750 | - |
| 2019-2022 | 78,138 | | 11,250 | - |
| Total | \$208,368 | | \$28,125 | \$65,252 |

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.

9. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

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 .018 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.

VILLAGE OF LAKEVIEW
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

9. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT – (Continued)

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, and made payments of \$150,513 leaving a net credit balance of impaired cost estimate of \$51,542. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance.

The Village has not recorded this credit in its financial statements as of December 31, 2013.

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

**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
125 N. Main Street
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 Village of Lakeview, Logan County (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 6, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Controls 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 a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-LAKE-01 described in the accompanying schedule of findings to be a material weakness.

Village of Lakeview
Logan County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and on Compliance and
Other Matters Required by *Government Auditing Standards*

Compliance and Other Matters

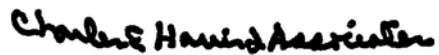
As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and accordingly, we express no opinion on it.

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.



Charles E. Harris & Associates, Inc.
June 6, 2014

**VILLAGE OF LAKEVIEW
LOGAN COUNTY
Schedule of Findings
December 31, 2013 and 2012**

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

Finding Number 2013-LAKE-01 - Material Weakness

Although the Village utilizes the UAN system provided by the Auditor of State to record transactions and prepare cash basis financial statements, the Village does not have a process to review the output for errors. Accordingly, the financial statements contained the following misstatements during 2013 and 2012:

- The purchase of equipment and the corresponding bank loan in the amount of \$75,229 was not recorded in 2012.
- Charges for services of \$29,796 and \$133,893 were recorded as property taxes or miscellaneous receipts in 2013 and 2012, respectively.
- Intergovernmental receipts of \$59,375 were classified as miscellaneous receipts in 2013.
- Debt service expenditures of \$140,908 in 2013 and \$185,902 in 2012 were charged to capital outlay, transportation, and general government disbursements.
- Loan proceeds and capital outlays in the amount of \$46,041 for OWDA loan #5790 were not recorded in 2012.
- OWDA loan proceeds of \$17,980 were recorded as charges for services in 2012.
- Disbursements for street maintenance and repairs in the amount of \$40,857 and \$19,875 were recorded as general government disbursements in 2013 and 2012, respectively.

The financial statements and the Village's records have been adjusted to properly reflect these transactions.

We recommend that the expenditures be recorded in accordance with the classifications found in the *Ohio Village Officers' Handbook* and that the Village implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers.

Management Response:

The Village has appointed a new fiscal officer and she has reviewed the findings with the independent auditor. The Village has already implemented changes to correct the material weaknesses noted in this audit. The new fiscal officer is committed to correcting the deficiencies noted above and, to that end, has had numerous conversations with Local Government Services and UAN personnel.

**VILLAGE OF LAKEVIEW
 LOGAN COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS
 For the Years Ended December 31, 2013 and 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|------------------|---|
| 2011-LAKE-01 | Incorrect recording of certain transactions | No | Repeated as 2013-LAKE-01 |



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
AUGUST 7, 2014**