



**Auditor of State
Betty Montgomery**

VILLAGE OF FORT LORAMIE
SHELBY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Fort Loramie
Shelby County
14 Elm Street
P.O. Box 10
Fort Loramie, Ohio 45845

To the Village Mayor and Council:

We have audited the accompanying financial statements of the Village of Fort Loramie, Shelby County (the Village), as of and for the years ended December 31, 2002 and 2001. 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.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As discussed 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 and reserves for encumbrances of the Village as of December 31, 2002 and 2001, 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 June 6, 2003, 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 audit.

Village of Fort Loramie
Shelby County
Independent Accountants' Report
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This report is intended solely for the information and use of the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 6, 2003

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$686,861				\$686,861
Special Assessments			\$18,634		18,634
Intergovernmental Receipts	79,102	\$43,177	48,329		170,608
Charges for Services	7,900				7,900
Fines, Licenses, and Permits	2,525				2,525
Earnings on Investments	28,003	90			28,093
Miscellaneous		330			330
Total Cash Receipts	804,391	43,597	66,963		914,951
Cash Disbursements:					
Current:					
Security of Persons and Property	129,674				129,674
Public Health Services	4,200				4,200
Leisure Time Activities	14,858	1,321			16,179
Community Environment	1,100				1,100
Basic Utility Services	55,486				55,486
Transportation	33,290	35,764			69,054
General Government	212,579				212,579
Debt Service:					
Principal Payments	5,245				5,245
Interest Payments	2,897				2,897
Capital Outlay	334,849	3,520	78,142	70	416,581
Total Cash Disbursements	794,178	40,605	78,142	70	912,995
Total Receipts Over Disbursements	10,213	2,992	(11,179)	(70)	1,956
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	10,351				10,351
Advances-In			17,453		17,453
Advances-Out	(17,453)				(17,453)
Total Other Financing Receipts/(Disbursements)	(7,102)		17,453		10,351
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,111	2,992	6,274	(70)	12,307
Fund Cash Balances, January 1	707,409	55,754		12,771	775,934
Fund Cash Balances, December 31	\$710,520	\$58,746	\$6,274	\$12,701	\$788,241
Reserves for Encumbrances, December 31	\$3,475				\$3,475

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

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$366,637
Total Operating Cash Receipts	366,637
Operating Cash Disbursements:	
Personal Services	35,841
Contractual Services	183,324
Supplies and Materials	41,591
Capital Outlay	90,416
Miscellaneous	690
Total Operating Cash Disbursements	351,862
Operating Income/(Loss)	14,775
Non-Operating Cash Receipts:	
Proceeds from Note	196,000
Non-Operating Cash Disbursements:	
Debt Service	(271,643)
Fund Cash Balances, January 1	274,267
Fund Cash Balances, December 31	\$213,399
Reserve for Encumbrances, December 31	\$46,611

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

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$659,360				\$659,360
Intergovernmental Receipts	146,633	\$42,945	\$171,372		360,950
Charges for Services	13,199				13,199
Fines, Licenses, and Permits	2,313				2,313
Earnings on Investments	20,304	211			20,515
Miscellaneous		1,817		72,000	73,817
Total Cash Receipts	841,809	44,973	171,372	72,000	1,130,154
Cash Disbursements:					
Current:					
Security of Persons and Property	122,929				122,929
Public Health Services	4,000				4,000
Leisure Time Activities	16,744	764			17,508
Community Environment	5,890				5,890
Basic Utility Services	61,758				61,758
Transportation	30,107	52,691			82,798
General Government	216,890				216,890
Debt Service:					
Principal Payments	126,218				126,218
Interest Payments	15,235				15,235
Capital Outlay	205,754	7,137	186,372	59,229	458,492
Total Cash Disbursements	805,525	60,592	186,372	59,229	1,111,718
Total Receipts Over Disbursements	36,284	(15,619)	(15,000)	12,771	18,436
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	61,819				61,819
Advances-In			15,000		15,000
Advances-Out	(15,000)				(15,000)
Total Other Financing Receipts/(Disbursements)	46,819		15,000		61,819
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	83,103	(15,619)		12,771	80,255
Fund Cash Balances, January 1	624,306	71,373			695,679
Fund Cash Balances, December 31	\$707,409	\$55,754	\$0	\$12,771	\$775,934

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

VILLAGE OF FORT LORAMIE
SHELBY COUNTY

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

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$386,323</u>
Operating Cash Disbursements:	
Personal Services	47,046
Contractual Services	189,833
Supplies and Materials	31,224
Capital Outlay	<u>24,490</u>
Total Operating Cash Disbursements	<u>292,593</u>
Operating Income/(Loss)	93,730
Non-Operating Cash Receipts:	
Proceeds from Bonds and Notes	643,818
Non-Operating Cash Disbursements:	
Debt Service	<u>(728,608)</u>
Net Receipts Over/(Under) Disbursements	8,940
Fund Cash Balances, January 1	<u>265,327</u>
Fund Cash Balances, December 31	<u><u>\$274,267</u></u>

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

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fort Loramie, Shelby 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 water and sewer utilities, park operations, 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

Investments are reported as assets. 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.

Certificates of deposit and repurchase agreements are valued at cost.

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 Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) 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.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

Issue II – Sioux Street Fund - This fund receives proceeds of grant funding. The proceeds are being used to construct a street project.

Issue II – Church Street Fund - This fund receives proceeds of grant funding. The proceeds are being used to construct a street project.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Estate Fund – This expendable trust fund receives donations for the purpose of paving of the playground parking lot and purchase of playground equipment.

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 or object level of control, 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. Unencumbered appropriations lapse at year end.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 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.

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 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:

	2002	2001
Demand deposits	\$82,674	\$33,643
Certificate of deposit	388,744	413,744
Total deposits	471,418	447,387
Repurchase agreement	530,222	602,814
Total deposits and investments	\$1,001,640	\$1,050,201

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: The Village maintains a repurchase agreement with their financial institution. The agreement allowed the financial institution to invest excess funds in a repurchase agreement account. The Village's financial institution provides securities to collateralize the repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$778,210	\$814,742	\$36,532
Special Revenue	68,908	43,597	(25,311)
Capital Projects	71,921	66,963	(4,958)
Expendable Trust	0	0	0
Enterprise	544,327	562,637	18,310
Total	<u>\$1,463,366</u>	<u>\$1,487,939</u>	<u>\$24,573</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,464,392	\$797,653	\$666,739
Special Revenue	116,133	40,605	75,528
Capital Projects	91,518	78,142	13,376
Expendable Trust	12,771	70	12,701
Enterprise	810,114	670,116	139,998
Total	<u>\$2,494,928</u>	<u>\$1,586,586</u>	<u>\$908,342</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$858,542	\$903,628	\$45,086
Special Revenue	49,810	44,973	(4,837)
Capital Projects	216,000	171,372	(44,628)
Expendable Trust	72,000	72,000	0
Enterprise	1,012,668	1,030,141	17,473
Total	<u>\$2,209,020</u>	<u>\$2,222,114</u>	<u>\$13,094</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,482,452	\$805,525	\$676,927
Special Revenue	121,024	60,592	60,432
Capital Projects	216,000	186,372	29,628
Expendable Trust	72,000	59,229	12,771
Enterprise	1,321,974	1,021,201	300,773
Total	<u>\$3,213,450</u>	<u>\$2,132,919</u>	<u>\$1,080,531</u>

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev, Code Section 5705.41(D), in 2001 and 2002 expenditures were initiated without obtaining the prior certification of the Clerk that the funds were available.

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in 2001 for the Special Assessment Construction – Sioux Street Fund and in 2002 for the Special Assessment Construction – Church Street Fund and the Special Assessment Construction – Indian Trail Fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceeding 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one and one-half 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.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer Improvement Refunding Bond	\$385,000	5.40%
Water Tower Bond Anticipation Note	196,000	2.15%
Ohio Water Development Authority Loan	59,119	7.66%
Total	<u>\$640,119</u>	

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

The Sanitary Sewer Improvement Refunding Bond was issued for \$414,700 in 2001 for sewer treatment improvements. The loan will be repaid in semiannual installments of scheduled amounts over 18 years. This bond is payable from and secured by revenues of the sanitary sewage system.

The Water Tower Bond Anticipation Note is issued for the construction of a water tower. The Village has imposed a monthly surcharge to water users to pay for this construction. The Water Tower Bond Anticipation Note is renewed annually. The Water Tower Bond Anticipation Note was renewed on May 23, 2003. The \$151,000 note bears an interest rate of 1.03% and matures on May 21, 2004.

The Ohio Water Development Authority (OWDA) loan was issued for \$89,496 in 1991 for the Fort Loramie Industrial Park to develop roadways and all necessary utilities to service the area. The loan will be repaid in semiannual installments of \$8,142 including interest, over 25 years.

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

Year ending	Sanitary Sewer Improvement Refunding Bond	Water Tower Bond Anticipation Note	OWDA Loan
December 31:			
2003	\$33,790	\$196,000	\$8,142
2004	34,980	0	8,142
2005	34,170	0	8,142
2006	38,360	0	8,142
2007	37,280	0	8,142
2008-2012	184,390	0	40,710
2013-2016	146,050	0	0
Total	<u>\$509,020</u>	<u>\$196,000</u>	<u>\$81,420</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and officials belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and

The Village also provides health insurance and dental coverage to full time employees through a private carrier.

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**Auditor of State
Betty Montgomery**

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

Village of Fort Loramie
Shelby County
14 Elm Street
P.O. Box 10
Fort Loramie, Ohio 45845

To the Village Mayor and Council:

We have audited the accompanying financial statements of the Village of Fort Loramie, Shelby County (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 6, 2003. 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 *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 audit 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 2002-001, 2002-002, and 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 6, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-004 and 2002-005.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also 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 June 6, 2003.

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



Betty Montgomery
Auditor of State

June 6, 2003

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Finding for Recovery/Repaid Under Audit:

Roger Siegel, Payroll Overpayment

Upon retirement, Utility Superintendent Roger Siegel's compensation was miscalculated and he was overpaid \$2,115.60 based upon the maximum redemption of accumulated sick leave (240 hours) allowed and payment for sick leave hours converted to vacation hours (40). Utility Superintendent Roger Siegel's compensation was based upon payment of 320 hours of sick leave and 40 hours of vacation (converted from sick leave hours). This resulted in an overpayment for 120 hours at the Utility Superintendent's \$17.63 hourly rate of pay for an overpayment of \$2,115.60.

According to the Village of Fort Loramie Employee Handbook, Utility Superintendent Roger Siegel should have been paid at the maximum redemption of accumulated sick leave (240 hours) allowed and conversion of sick leave hours to vacation hours (40) is not allowed.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Roger Siegel, former Utility Superintendent, Clerk-Treasurer Deborah Kremer, and the Western Surety Company, Ms. Kremer's bonding company, jointly and severally, and in favor of the Village of Fort Loramie, in the amount of \$2,116.60.

On April 21, 2003, Roger Siegel repaid the Village of Fort Loramie \$2,115.60. As a result, we consider this a Finding Repaid Under Audit.

FINDING NUMBER 2002-002

Noncompliance Citation:

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The Village failed to certify the availability of funds prior to incurring the obligation for 20% of the items examined for 2002 and 2001, and the exception above was not utilized. The Village should develop policies and procedures to improve compliance with this requirement and certify the availability of funds prior to incurring the obligation.

FINDING NUMBER 2002-003

Noncompliance Citation:

Ohio Rev. Code Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following fund had expenditures plus encumbrances greater than appropriations as of December 31, 2001:

Fund	Expenditures Plus Encumbrances	Total Appropriations	Variance
Special Assessment Construction – Sioux Street	\$15,000	\$0	(\$15,000)

The following funds had expenditures plus encumbrances greater than appropriations as of December 31, 2002:

Fund	Expenditures Plus Encumbrances	Total Appropriations	Variance
Special Assessment Construction – Church Street	\$11,641	\$0	(\$11,641)
Special Assessment Construction – Indian Trail	5,278	0	(5,278)

Budgeted appropriations versus actual expenditures should be monitored throughout the year to prevent expenditures from exceeding the amounts appropriated at the legal level of control. In instances where it appears appropriations are insufficient to meet projected needs, the Village Council should pass a resolution to amend appropriations after determining that sufficient estimated resources are available.

FINDING NUMBER 2002-004

Reportable Condition:

Revenue and Expenditure Budget Amounts

The budgeted appropriations approved by the Village Council were not accurately posted to the Village's budgetary accounting system. The amounts posted to the accounting system varied from the Council approved appropriations by as much as \$2,109,985 in July 2001 and \$1,623,414 in January 2002. The amounts shown in Note 3 as Appropriation Authority have been adjusted to reflect the actual appropriations approved by Council.

The failure to accurately post the approved budget amounts to the Village's accounting system allows inaccurate information to be provided to Council and management on the monthly systems generated print-outs.

The appropriations as approved by the Village Council should be reconciled to the amounts posted to the Village's computer system to provide assurance the amounts have been entered accurately.

FINDING NUMBER 2002-005

Reportable Condition:

Fund Classifications

In order to present the financial activity of the Village properly, the following adjustments were required to properly present the Village's annual financial reports for 2001 and 2002:

- a. The Church Street and Sioux Street Issue II funds were incorrectly reported as Special Revenue Funds instead of Capital Project Funds resulting in an understatement of the Capital Project Fund activity of \$48,329 in 2002 and \$155,390 in 2001.
- b. The Village's income tax activity was reported as in an Expendable Trust Fund although the Village Income Tax Ordinance requires that funds collected should be reported in the General Fund resulting in an understatement of the General Fund's activity of \$581,000 and \$614,000 for 2001 and 2002, respectively.
- c. The Sioux Street Special Assessment Construction Fund was reported as a Special Revenue Fund which should by its nature be reported as a Capital Projects Fund which resulted in an understatement of the Capital Project Fund activity of \$16,508 in 2002 and \$15,000 in 2001.

The Village should review the current fund classifications for proper presentation and make any necessary adjustments to the budgetary accounting system to present the financial activity properly in future periods. The combined financial statements presented in this report for 2002 and 2001 reflect the adjustments above.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30375-001	ORC Section 5705.41 (B): Expenditures exceeding appropriations.	Not Corrected.	Finding Number 2002-003



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VILLAGE OF FORT LORAMIE

SHELBY 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
JULY 8, 2003**