



Mary Taylor, CPA  
Auditor of State



VILLAGE OF LAURA  
MIAMI COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2007 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2006 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

Village of Laura  
Miami County  
108 South Main Street  
Laura, Ohio 45337

To the Village Council and Board of Public Affairs:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 28, 2008

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Laura  
Miami County  
108 South Main Street  
Laura, Ohio 45337

To the Village Council and Board of Public Affairs:

We have audited the accompanying financial statements of Village of Laura, Miami County, (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.

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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 cash flows for the years then ended.

Also, 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 Village of Laura, Miami County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 28, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Mary Taylor, CPA**  
Auditor of State

October 28, 2008



**VILLAGE OF LAURA  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$17,482			\$17,482
Intergovernmental	29,875	\$24,899	\$30,985	85,759
Special Assessments	3,362	5,691		9,053
Fines, Licenses and Permits	1,557			1,557
Miscellaneous	3,801			3,801
Total Cash Receipts	<u>56,077</u>	<u>30,590</u>	<u>30,985</u>	<u>117,652</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	4,000	5,994		9,994
Leisure Time Activities	4,361			4,361
Basic Utility Service	2,996			2,996
Transportation	1,354	6,129		7,483
General Government	22,232	271		22,503
<b>Debt Service:</b>				
Redemption of Principal Interest and Fiscal Charges		4,644		4,644
Capital Outlay			30,985	30,985
Total Cash Disbursements	<u>34,943</u>	<u>17,038</u>	<u>30,985</u>	<u>82,966</u>
Total Receipts Over/(Under) Disbursements	<u>21,134</u>	<u>13,552</u>		<u>34,686</u>
<b>Other Financing (Disbursements):</b>				
Other Financing Uses	<u>(527)</u>			<u>(527)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,607	13,552		34,159
Fund Cash Balances, January 1	<u>31,721</u>	<u>150,167</u>	<u>323</u>	<u>182,211</u>
Fund Cash Balances, December 31	<u>52,328</u>	<u>163,719</u>	<u>323</u>	<u>216,370</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$7,302</u>	<u>\$0</u>	<u>\$7,302</u>

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

**VLLAGE OF LAURA  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$143,382
Total Operating Cash Receipts	143,382
<b>Operating Cash Disbursements:</b>	
Personal Services	23,045
Employee Fringe Benefits	4,898
Contractual Services	36,757
Supplies and Materials	5,753
Other	12,179
Total Operating Cash Disbursements	82,632
Operating Income/(Loss)	60,750
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	11,813
Other Debt Proceeds	60,000
Miscellaneous Receipts	118
Total Non-Operating Cash Receipts	71,931
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	11,778
Redemption of Principal	29,200
Interest and Other Fiscal Charges	25,534
Total Non-Operating Cash Disbursements	66,512
Excess of Receipts Over/(Under) Disbursements	66,169
Fund Cash Balances, January 1	83,718
Fund Cash Balances, December 31	149,887
Reserve for Encumbrances, December 31	\$1,770

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

**VILLAGE OF LAURA  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$17,555			\$17,555
Intergovernmental	29,912	\$26,124	\$46,500	102,536
Special Assessments	90			90
Fines, Licenses and Permits	1,533			1,533
Miscellaneous	4,811			4,811
Total Cash Receipts	<u>53,901</u>	<u>26,124</u>	<u>46,500</u>	<u>126,525</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	4,000	2,846		6,846
Leisure Time Activities	1,204			1,204
Basic Utility Service	3,024			3,024
Transportation		525		525
General Government	59,635	9		59,644
<b>Debt Service:</b>				
Redemption of Principal		4,643		4,643
Capital Outlay			46,500	46,500
Total Cash Disbursements	<u>67,863</u>	<u>8,023</u>	<u>46,500</u>	<u>122,386</u>
Total Receipts Over/(Under) Disbursements	<u>(13,962)</u>	<u>18,101</u>		<u>4,139</u>
Fund Cash Balances, January 1	<u>45,683</u>	<u>132,066</u>	<u>323</u>	<u>178,072</u>
Fund Cash Balances, December 31	<u>31,721</u>	<u>150,167</u>	<u>323</u>	<u>182,211</u>
Reserve for Encumbrances, December 31	<u>\$4,505</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,505</u>

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

**VLLAGE OF LAURA  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$148,239
Total Operating Cash Receipts	148,239
<b>Operating Cash Disbursements:</b>	
Personal Services	23,603
Employee Fringe Benefits	4,319
Contractual Services	33,225
Supplies and Materials	12,895
Other	20,267
Total Operating Cash Disbursements	94,309
Operating Income/(Loss)	53,930
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	3,638
Miscellaneous Receipts	1,947
Total Non-Operating Cash Receipts	5,585
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	21,924
Redemption of Principal	27,900
Interest and Other Fiscal Charges	30,177
Total Non-Operating Cash Disbursements	80,001
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(20,486)
Fund Cash Balances, January 1	104,204
Fund Cash Balances, December 31	83,718
Reserve for Encumbrances, December 31	\$0

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

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Laura, Miami County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, The Village contracts with the Miami County Sheriff's department to provide security of persons and property. The Village contracts with Laura Volunteer Fire Company to receive fire protection services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

**State Highway Fund** -This fund receives seven and one-half percent of the gasoline and motor vehicle taxes received for use in constructing, maintaining, and repairing state highways within the Village.

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**Street Light Fund** -This fund receives proceeds of special assessments from Village property owners to provide street lighting.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

**CDBG Sewer Grant Construction Fund** – This fund receives proceeds of Community Development Block Grant Monies. The proceeds are being used for repairs to the Sewer System.

**CDBG Water Grant Construction Fund** – This fund receives proceeds of Community Development Block Grant Monies. The proceeds are being used for repairs to the Water System.

**4. Enterprise Funds**

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

**Water Fund** - This fund receives charges for services from residents to cover water service costs.

**Sewer Fund** - This fund receives charges for services from residents to cover sewer service costs.

**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 Village 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.

**2. Estimated Resources**

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

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**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 over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

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

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

	<b>2007</b>	<b>2006</b>
Demand deposits	\$366,257	\$265,929

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

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

<b>2007 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$48,937	\$56,077	\$7,140
Special Revenue	29,859	30,590	731
Capital Projects		30,985	30,985
Enterprise	207,222	215,313	8,091
Total	\$286,018	\$332,965	\$46,947

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$55,259	\$35,470	\$19,789
Special Revenue	65,385	24,340	41,045
Capital Projects	323	30,985	(30,662)
Enterprise	273,643	150,914	122,729
Total	\$394,610	\$241,709	\$152,901

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$51,633	\$53,901	\$2,268
Special Revenue	23,300	26,124	2,824
Capital Projects	46,000	46,500	500
Enterprise	152,808	153,824	1,016
Total	<u>\$273,741</u>	<u>\$280,349</u>	<u>\$6,608</u>

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$82,847	\$72,368	\$10,479
Special Revenue	96,675	8,023	88,652
Capital Projects	123,923	46,500	77,423
Enterprise	253,567	174,310	79,257
Total	<u>\$557,012</u>	<u>\$301,201</u>	<u>\$255,811</u>

Contrary to Ohio law, the Village did not routinely certify the availability of funds prior to obligation.

**4. PROPERTY TAX**

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.

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.



**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2007 as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Public Works Commission	\$74,301	0%
Ohio Water Development Authority Loan	376,783	8%
Huntington Bank Note	60,000	4.15%
Total	\$511,084	

The Ohio Public Works Commission (OPWC) loan relates to a reconstruction project for S. Main Street. The loan will be repaid in semiannual installments of \$2,322 with no interest over the next 17 years. This loan is supported by the full faith and credit of the Village and is payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal payments.

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$28,437 including interest, over the next 11 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Huntington National Bank Note relates to the back-up well project. The loan will be repaid in semi-annual installments of \$3,696 including interest over the next 10 years. This loan is supported by the full faith and credit of the Village and is payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal payments.

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

<b>Year ending December 31:</b>	<b>OWDA Sewer Loan</b>	<b>OPWC Street Loan</b>	<b>Huntington Bank Note</b>	<b>Total</b>
2007	\$56,873	\$4,644	\$7,392	\$68,909
2008	56,873	4,644	7,391	68,908
2009	56,873	4,644	7,392	68,909
2010	56,873	4,644	7,391	68,908
2011	56,873	4,644	7,392	68,909
2013-2017	284,365	23,219	36,957	344,541
2018-2022		23,219		23,219
2023		4,643		4,643
Total	\$568,730	\$74,301	\$73,915	\$716,946

**6. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes the contribution rates as follows:

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. RETIREMENT SYSTEMS (Continued)**

<u>Retirement Rates</u>	<u>Year</u>	<u>Member Rate</u>	<u>Employer Rate</u>
PERS – Local	2007	9.5%	13.85%
PERS – Local	2006	9.0%	13.70%

The Village has paid all contributions required through December 31, 2007.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**8. CONTINGENT LIABILITIES**

The Village is a defendant in a lawsuit. Management has presently determined the outcome of the suit could result in a potential loss of up to \$15,000.

**9. SUBSEQUENT EVENTS**

On February 11, 2008 the Village of Laura was notified by the Miami County Auditor that the Village would be the recipient of \$68,359 from the estate of a Laura resident.



# Mary Taylor, CPA

Auditor of State

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

Village of Laura  
Miami County  
108 South Main Street  
Laura, Ohio 45337

To the Village Council:

We have audited the financial statements of Village of Laura, Miami County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 28, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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*.

### Internal Control 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 audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-003.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-002 through 2007-003 are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated October 28, 2008.

**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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2007-001.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated October 28, 2008.

We intend this report solely for the information and use of the Village Council, Board of Public Affairs, and Management. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 28, 2008

VILLAGE OF LAURA  
MIAMI COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

**Noncompliance**

**Ohio Rev. Code 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Village.

2. **Blanket certificate** - Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by members of the legislative authority against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village had 77 and 76 occurrences during 2007 and 2006, respectively, where it did not properly certify the availability of funds and the aforementioned exceptions were not properly utilized. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances and as such represents a lack of controls in the disbursement process.

**FINDING 2007-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchase to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirement of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING 2007-002**

**Material Weakness**

**Classification of Expenditures and Reserve for Encumbrance**

In several instances, we noted that various expenditure amounts were improperly classified by the Fiscal Officer. During 2006, the Village recorded payments on debt in the Enterprise Fund as redemption of principle in the amount of \$58,077; however \$30,177 was actually for the payment of interest on the debt. Also in 2006, the Village booked several expenditures as other financing uses instead of general government expenditures in the amounts of \$2,179 in the General Fund. There also was \$1,826 posted to General Fund other financing uses instead of Street Lighting Fund security of persons and property.

In addition, the Village did not properly certify all 2007 and 2006 expenditures that were paid in the subsequent year. The following variances were noted in the reserve for encumbrance line item:

2007		
• General Fund	\$	551
• Special Revenue Fund	\$	7,302
• Enterprise Fund	\$	2,045
2006:		
• General Fund	\$	4,005
• Enterprise Fund	\$	1,904

The proper classification of expenditures allows the financial statements to better reflect the purpose of the aforementioned expenditures of the Village and also included the outstanding commitments by the Village at the year end on the financial statements.

The Fiscal Officer should review the Uniform Accounting Network (UAN) Chart of Accounts and post transactions according to the account code descriptions. Policies and procedures should be developed and implemented to verify that all receipts are posted and rolls up to correct line items on the financial statements.

The accompanying combined financial statements contain the required adjustment for debt payments, other financing uses, and 2007 Special Revenue Fund and 2006 General Fund reserve for encumbrance line item.

### **FINDING NUMBER 2007-003**

#### **Material Weakness**

##### **Revenue Posting**

Throughout the audit period there were numerous errors in the recording of property tax revenue, intergovernmental revenue, special assessments, and charges for services. The following errors resulted in material misstatement of the revenue posted to the Village's financial statement by the Fiscal Officer.

- Intergovernmental revenue was posted as taxes in the amounts of \$735 and \$518 in 2007 and 2006, respectively.
- Taxes were posted at net rather than gross resulting in an understatement of \$183 and \$151 in 2007 and 2006, respectively.
- Special assessments in the amount of \$89 were posted to the General Fund rather than the Street Lighting Fund during 2006.
- Charges for services were posted as special assessments in the amounts of \$6,933 and \$7,107 in 2007 and 2006, respectively.
- Community Development Block Grant revenue and expenditures were overstated in the amounts of \$13,015 and \$78,100 in 2007 and 2006, respectively.

To improve the accuracy and completeness of the Village's financial statements and provide comparable financial statements from year to year, the receipt posting should be performed consistently with the instructions contained in the Village Officer's Handbook and the Uniform Accounting Network (UAN) Chart of Accounts. Policies and procedures should be developed and implemented to verify that all receipts are posted and roll up to correct line items on the financial statements.

The accompanying combined financial statements contain the adjustments for charges for services and Community Development Block Grant revenue and expenditures to accurately record the items mentioned above.

**VILLAGE OF LAURA  
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
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; <b><i>Explain</i></b>
2005-001	<b>Ohio Rev. Code Section 5705.10</b> – all revenue derived from a source other than the general property tax is to be paid into a special fund for such purpose.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF LAURA**

**MIAMI 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  
DECEMBER 9, 2008**