



Dave Yost • Auditor of State

VILLAGE OF LAURA
MIAMI COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2011	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2010	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>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	22

This page intentionally left blank.



Dave Yost • Auditor of State

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

To the Village Council:

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 "Dave Yost".

Dave Yost
Auditor of State

July 5, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Laura, Miami County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Section 117.11(A) mandates 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 Governments 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, 2011 and 2010 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, 2011, or its changes in financial position or cash flows, where applicable 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Laura, Miami County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Laura adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2012, 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. 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.



Dave Yost
Auditor of State

July 5, 2012

**VILLAGE OF LAURA
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$15,848			\$15,848
Intergovernmental	28,088	\$23,440		51,528
Special Assessments	39	6,217		6,256
Fines, Licenses and Permits	2,161			2,161
Miscellaneous	100			100
Total Cash Receipts	<u>46,236</u>	<u>29,657</u>		<u>75,893</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	4,000	6,054		10,054
Leisure Time Activities	1,540	1,000		2,540
Basic Utility Services	3,436			3,436
Transportation	10,779	16,436		27,215
General Government	22,691	272		22,963
Debt Service:				
Redemption of Principal		4,643		4,643
Total Cash Disbursements	<u>42,446</u>	<u>28,405</u>		<u>70,851</u>
Excess of Receipts Over Disbursements	<u>3,790</u>	<u>1,252</u>		<u>5,042</u>
Other Financing Receipts (Disbursements):				
Advances In	2,507	2,507		5,014
Advances Out	(2,507)	(2,507)		(5,014)
Other Financing Uses	(1,887)			(1,887)
Total Other Financing Receipts (Disbursements)	<u>(1,887)</u>			<u>(1,887)</u>
Net Change in Fund Cash Balances	1,903	1,252		3,155
Fund Cash Balances, January 1	<u>66,749</u>	<u>52,889</u>	<u>323</u>	<u>119,961</u>
Fund Cash Balances, December 31:				
Restricted		53,826	323	54,149
Committed		315		315
Unassigned (Deficit)	68,652			68,652
Fund Cash Balances, December 31	<u>\$68,652</u>	<u>\$54,141</u>	<u>\$323</u>	<u>\$123,116</u>

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

**VILLAGE OF LAURA
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type Enterprise
Operating Cash Receipts:	
Charges for Services	\$158,713
Total Operating Cash Receipts	158,713
Operating Cash Disbursements:	
Personal Services	21,898
Employee Fringe Benefits	3,304
Contractual Services	27,279
Supplies and Materials	1,941
Other	12,736
Total Operating Cash Disbursements	67,158
Operating Income	91,555
Non-Operating Receipts (Disbursements):	
Special Assessments	2,076
Miscellaneous Receipts	20
Capital Outlay	(6,039)
Principal Retirement	(43,416)
Interest and Other Fiscal Charges	(27,746)
Total Non-Operating Receipts (Disbursements)	(75,105)
Net Change in Fund Cash Balances	16,450
Fund Cash Balances, January 1	126,724
Fund Cash Balances, December 31	\$143,174

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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$18,152			\$18,152
Intergovernmental	28,428	\$25,607	\$602,427	656,462
Special Assessments		6,404		6,404
Fines, Licenses and Permits	1,940			1,940
Miscellaneous	359			359
Total Cash Receipts	<u>48,879</u>	<u>32,011</u>	<u>602,427</u>	<u>683,317</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	4,000	5,994		9,994
Leisure Time Activities	1,239			1,239
Basic Utility Service	4,243			4,243
Transportation		89,408		89,408
General Government	32,366	276		32,642
Debt Service:				
Redemption of Principal		4,643		4,643
Capital Outlay			602,427	602,427
Total Cash Disbursements	<u>41,848</u>	<u>100,321</u>	<u>602,427</u>	<u>744,596</u>
Total Receipts Over/(Under) Disbursements	<u>7,031</u>	<u>(68,310)</u>		<u>(61,279)</u>
Other Financing (Disbursements):				
Other Financing Uses	<u>(2,142)</u>			<u>(2,142)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,889	(68,310)		(63,421)
Fund Cash Balances, January 1	<u>61,860</u>	<u>121,199</u>	<u>323</u>	<u>183,382</u>
Fund Cash Balances, December 31	<u>\$66,749</u>	<u>\$52,889</u>	<u>\$323</u>	<u>\$119,961</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$497</u>	<u>\$0</u>	<u>\$497</u>

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 BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$161,896
Total Operating Cash Receipts	161,896
Operating Cash Disbursements:	
Personal Services	20,897
Employee Fringe Benefits	3,178
Contractual Services	105,161
Supplies and Materials	6,129
Other	14,643
Total Operating Cash Disbursements	150,008
Operating Income	11,888
Non-Operating Cash Receipts:	
Special Assessments	3,858
Other Debt Proceeds	73,769
Total Non-Operating Cash Receipts	77,627
Non-Operating Cash Disbursements:	
Capital Outlay	3,402
Redemption of Principal	44,955
Interest and Other Fiscal Charges	27,946
Total Non-Operating Cash Disbursements	76,303
Excess of Receipts Over Disbursements	13,212
Fund Cash Balances, January 1	113,512
Fund Cash Balances, December 31	\$126,724
Reserve for Encumbrances, December 31	\$4,352

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, 2011 AND 2010**

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, and park operations. 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. Deposits

The Village holds all deposits in a checking account.

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 gasoline and motor vehicle taxes for use in constructing, maintaining, and repairing state highways within the Village.

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

VILLAGE OF LAURA
MIAMI COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Ohio Public Works Commission Pike & SR 721 Fund - This fund receives grant money awarded toward the Pike & Main Street Project.

Ohio Department of Transportation Pike & SR 721 Fund - This fund receives grant money awarded toward the Pike & Main Street Project.

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.

Water Reserve Fund - This fund receives fees from residents towards the upkeep, repair, and improvement of the Village's water system and to be used in the case of an emergency which involves the Village's water system.

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

Sewer Reserve Fund - This fund receives fees from residents towards the upkeep, repair, and improvement of the Village's sewer system and to be used in the case of an emergency which involves the Village's sewer system.

OWDA Water Main Replacement Fund - This fund received money from the Ohio Water Development Authority to repay the water main loan.

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.

**VILLAGE OF LAURA
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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. The classifications are as follows:

1. Non-spendable

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

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. 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 *restricted* 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

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.

**VILLAGE OF LAURA
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. 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 DEPOSITS

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

	2011	2010
Demand deposits	\$266,290	\$246,685

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 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 48,742	\$ 48,743	\$1
Special Revenue	32,164	32,164	
Enterprise	160,809	160,809	
Total	\$241,715	\$241,716	\$1

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 86,507	\$ 46,840	\$ 39,667
Special Revenue	72,187	30,912	41,275
Capital Projects	323		323
Enterprise	260,864	144,359	116,505
Total	\$419,881	\$222,111	\$197,770

**VILLAGE OF LAURA
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 48,879	\$ 48,879	
Special Revenue	32,010	32,011	\$1
Capital Projects	602,427	602,427	
Enterprise	239,524	239,523	(\$1)
Total	<u>\$922,840</u>	<u>\$922,840</u>	

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 78,168	\$ 43,990	\$ 34,178
Special Revenue	149,664	100,818	48,846
Capital Projects	602,750	602,427	323
Enterprise	306,375	230,663	75,712
Total	<u>\$1,136,957</u>	<u>\$977,898</u>	<u>\$159,059</u>

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.

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.

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

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$ 55,727	0%
Ohio Water Development Authority Loan #1	248,528	7.50%
Ohio Water Development Authority Loan #2	166,171	3.42%
Huntington Bank Note	38,907	4.15%
Total	<u>\$509,333</u>	

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

**VILLAGE OF LAURA
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan #1 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 six years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #2 relates to a replacement of a water main in the Village. OWDA approved up to \$173,049 in loans to the Village for this project. The loan repayments of \$5,111 including interest made in 2010 and 2011 were based on an estimated total loan amount. The loan will now continue to be repaid in semiannual installments of \$4,635 including interest, over the next twenty-eight years. The Village has agreed to increase water rates \$6 per month starting in January 2010 to repay this loan.

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 6 years. This loan is supported by the full faith and credit of the Village and is payable from un-voted 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:

Year ending December 31:	OWDA Sewer Loan (#1)	OWDA Water Main Loan (#2)	OPWC Street Loan	Huntington Bank Note	Total
2012	\$ 56,873	\$ 9,270	\$ 4,644	\$ 7,391	\$ 78,178
2013	56,873	9,270	4,644	7,392	78,179
2014	56,873	9,270	4,644	7,391	78,178
2015	56,873	9,270	4,644	7,392	78,179
2016	56,873	9,270	4,644	7,391	78,178
2017-2021	28,437	46,349	23,219	7,391	105,396
2022-2026		46,350	9,288		55,638
2027-2031		46,350			46,350
2033-2036		46,350			46,350
2037-2040		27,810			27,810
Total	<u>\$312,802</u>	<u>\$259,559</u>	<u>\$55,727</u>	<u>\$44,348</u>	<u>\$672,436</u>

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 prescribed the plan's retirement benefits, including postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF LAURA
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

This page intentionally left blank.



Dave Yost • 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 the Village of Laura, Miami County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 5, 2012, 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, and the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 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 Rev. Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Rev. Code Sections 117.11(A) 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 and another deficiency we consider to be a significant deficiency.

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-03 described in the accompanying schedule of findings to be a material weakness.

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 2011-02 described in the accompanying schedule of findings to be a significant deficiency.

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 are described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 5, 2012.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 5, 2012

VILLAGE OF LAURA
MIAMI COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 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 certificate, blanket certificates and super blanket certificates, which are provided for in the sections 5705.41(D) 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 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 or a warrant for the payment of the amount due. The Village has thirty days from 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 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 the Village.

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or 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 contract 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. The certification is not to extend beyond the current year. More than one super blanket certificate may not be outstanding at a particular time for any one line item appropriation.

The Village did not properly encumber 100% of expenditures tested in 2010 and 35.7% of expenditures tested in 2011. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

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.

**FINDING NUMBER 2011-01
(Continued)**

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 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.

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Village should sign the certification at the time a commitment is incurred and only when the requirements of 5705.41(D) are satisfied.

Officials' Response:

We did not receive a response from officials for this finding.

FINDING NUMBER 2011-02

Significant Deficiency

The constitution and laws of the State of Ohio establish the Village Council's powers to govern the Village. The most significant power and responsibility that Council can exercise is to monitor the Village's financial activity. Council needs timely financial information provided by the fiscal officer to review and analyze so that it can make sound financial decisions for the benefit of the Village.

The Council's minutes did not indicate that it had been provided any financial reports, which should include budget to actual information, monthly receipts, monthly disbursements, month-end fund balances, and the monthly bank reconciliation. Listings of bills to be paid each month were the only financial items approved in the minutes.

Due to the lack of segregation of duties for a small government, such as a Village, failure to document these approvals could result in management not being able to make timely informed decisions or to detect errors and/or omissions in a timely manner. The Council should monitor the monthly financial position by being provided monthly budget to actual reports on receipts and disbursements, account balances, and the monthly bank reconciliation. The results of this review should be documented in the Village Council's minutes as evidence of being performed.

Officials' Response:

We did not receive a response from officials for this finding.

FINDING NUMBER 2011-03

Material Weakness

The Village officer's handbook provides a detailed listing of account codes to be utilized for the UAN accounting system; the following errors were noted in the 2011 and 2010 financial statements:

The following material misstatements have been posted as adjustments to the financial statements:

- Customer collections booked into the Water and Sewer Enterprise Reserve Funds in the amount of \$6,908 or 4.2% of total revenues and \$6,945 or 2.8% of total revenues in 2011 and 2010, respectively were posted as special assessments and should have been posted as charges for services.
- Ohio Water Development Authority loan proceeds in the amount of \$73,769 or 30.8% of total receipts were posted as intergovernmental revenue and should have been posted as other debt proceeds in 2010.

The following misstatements were noted as unadjusted differences:

- In 2011 and 2010, \$153 and \$1,045, respectively of general fund tax reimbursements from the State were posted as property tax revenues instead of intergovernmental revenue.
- In 2011 and 2010, \$2,537 and \$2,767, respectively of enterprise fund interest payments were improperly classified as principal payments.
- In 2011, \$315 of the street lighting fund balance was incorrectly classified as committed instead of restricted.
- In 2010, \$1,000 of special revenue contributions were improperly classified as intergovernmental revenue.

To improve the accuracy and completeness of the Village's financial statements and provide comparative financial statements from year to year, the posting of receipts 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 properly roll up to correct line items on the financial statements.

Officials' Response:

We did not receive a response from officials for this finding.

**VILLAGE OF LAURA
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.41(D) – Prior certification of expenditures	No	Repeated as Finding 2011-001
2009-002	Revenue Posting – Revenues improperly classified.	No	Repeated as Finding 2011-003



Dave Yost • 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
JULY 31, 2012