



**Auditor of State
Betty Montgomery**

VILLAGE OF FORT LORAMIE
SHELBY COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Mayor and 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 a February 2, 2005 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 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 14, 2005

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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, OH 45845

To the Mayor and Village Council:

We have audited the accompanying financial statements of Village of Fort Loramie, Shelby County, (the Village), as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Fort Loramie as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year 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 the Village of Fort Loramie, Shelby County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 14, 2005, 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.



Betty Montgomery
Auditor of State

September 14, 2005

**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, 2004**

	<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	\$89,791				\$89,791
Municipal Income Tax	681,810				681,810
Special Assessments			\$13,046		13,046
Intergovernmental Receipts	77,635	\$63,760	129,443		270,838
Charges for Services	6,951				6,951
Fines, Licenses, and Permits	3,625				3,625
Earnings on Investments	10,792	138			10,930
Miscellaneous	13,724	300			14,024
	<u>884,328</u>	<u>64,198</u>	<u>142,489</u>		<u>1,091,015</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	120,041				120,041
Public Health Services	5,600				5,600
Leisure Time Activities	19,476	2,194			21,670
Community Environment	6,500	4,000			10,500
Basic Utility Services	65,501				65,501
Transportation	38,337	45,586			83,923
General Government	240,496				240,496
Debt Service:					
Principal Payments	3,358				3,358
Interest Payments	4,372				4,372
Capital Outlay	497,987	32,360	196,443		726,790
	<u>1,001,668</u>	<u>84,140</u>	<u>196,443</u>		<u>1,282,251</u>
Total Receipts Over/(Under) Disbursements	<u>(117,340)</u>	<u>(19,942)</u>	<u>(53,954)</u>		<u>(191,236)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes			400,000		400,000
Sale of Fixed Assets	54,696				54,696
Advances-In	13,046		67,000		80,046
Advances-Out	(67,000)		(13,046)		(80,046)
	<u>742</u>		<u>453,954</u>		<u>454,696</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(116,598)	(19,942)	400,000		263,460
Fund Cash Balances, January 1	461,523	29,158		\$12,701	503,382
Fund Cash Balances, December 31	<u>\$344,925</u>	<u>\$9,216</u>	<u>\$400,000</u>	<u>\$12,701</u>	<u>\$766,842</u>
Reserves for Encumbrances, December 31	<u>\$99,434</u>	<u>\$2,000</u>	<u>\$400,000</u>	<u>\$0</u>	<u>\$501,434</u>

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, 2004**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$391,026
Total Operating Cash Receipts	391,026
Operating Cash Disbursements:	
Personal Services	36,118
Fringe Benefits	4,664
Contractual Services	192,921
Supplies and Materials	30,465
Capital Outlay	25,175
Miscellaneous	440
Total Operating Cash Disbursements	289,783
Operating Income/(Loss)	101,243
Non-Operating Cash Receipts:	
Proceeds from Notes	105,000
Total Non-Operating Cash Receipts	105,000
Non-Operating Cash Disbursements:	
Redemption of Principal	166,000
Interest and Other Fiscal Charges	21,566
Total Non-Operating Cash Disbursements	187,566
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	18,677
Fund Cash Balances, January 1	141,936
Fund Cash Balances, December 31	\$160,613
Reserve for Encumbrances, December 31	\$13,816

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, 2003**

	<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	\$84,051	\$31,851			\$115,902
Municipal Income Tax	661,214				661,214
Special Assessments			\$4,953		4,953
Intergovernmental Receipts	103,774	46,048	128,973		278,795
Charges for Services	4,453				4,453
Fines, Licenses, and Permits	4,806				4,806
Earnings on Investments	11,925	146			12,071
Miscellaneous	1,070				1,070
Total Cash Receipts	<u>871,293</u>	<u>78,045</u>	<u>133,926</u>		<u>1,083,264</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	124,587				124,587
Public Health Services	5,408				5,408
Leisure Time Activities	17,004				17,004
Community Environment	3,000				3,000
Basic Utility Services	66,761				66,761
Transportation	39,814	58,316			98,130
General Government	247,853				247,853
Debt Service:					
Principal Payments	1,559				1,559
Interest Payments	2,512				2,512
Capital Outlay	707,030	49,317	147,973		904,320
Total Cash Disbursements	<u>1,215,528</u>	<u>107,633</u>	<u>147,973</u>		<u>1,471,134</u>
Total Receipts Over/(Under) Disbursements	<u>(344,235)</u>	<u>(29,588)</u>	<u>(14,047)</u>		<u>(387,870)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	101,771				101,771
Advances-In	11,227		19,000		30,227
Advances-Out	(19,000)		(11,227)		(30,227)
Total Other Financing Receipts/(Disbursements)	<u>93,998</u>		<u>7,773</u>		<u>101,771</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(250,237)	(29,588)	(6,274)		(286,099)
Fund Cash Balances, January 1	711,760	58,746	6,274	\$12,701	789,481
Fund Cash Balances, December 31	<u>\$461,523</u>	<u>\$29,158</u>	<u>\$0</u>	<u>\$12,701</u>	<u>\$503,382</u>
Reserves for Encumbrances, December 31	<u>\$140,230</u>	<u>\$5,534</u>	<u>\$59,887</u>	<u>\$0</u>	<u>\$205,651</u>

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, 2003**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$369,302
	369,302
Operating Cash Disbursements:	
Personal Services	28,726
Contractual Services	194,170
Supplies and Materials	36,228
Capital Outlay	96,322
Miscellaneous	200
	355,646
Total Operating Cash Disbursements	355,646
Operating Income/(Loss)	13,656
Non-Operating Cash Receipts:	
Proceeds from Notes	151,000
Other Non-Operating Receipts	1,088
	152,088
Total Non-Operating Cash Receipts	152,088
Non-Operating Cash Disbursements:	
Redemption of Principal	211,000
Interest and Other Fiscal Charges	25,004
	236,004
Total Non-Operating Cash Disbursements	236,004
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(70,260)
Fund Cash Balances, January 1	212,196
Fund Cash Balances, December 31	\$141,936

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, 2004 AND 2003**

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 Fort Loramie, Shelby County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit and repurchase agreements 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds 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.

Permissive Tax Fund - This fund receives permissive auto license tax from Shelby County for constructing, maintaining, and repairing Village streets.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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:

Issue II - North Main Street Fund - This fund receives grants from the Ohio Public Works Commission for funding a street project.

Eastview Drive Assessments Fund - This fund receives assessments from property owners for street improvements.

Eastview Drive Fund - This fund receives grants from the Ohio Public Works Commission for funding a street project.

ODNR Park Fund - This fund receives proceeds from a grant as well as a debt issue to be used to purchase property for a future park.

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

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

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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 received a donation for the purpose of paving 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. 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 FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 and 2003 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2004	2003
Demand deposits	\$44,171	\$51,466
Certificates of deposit	163,744	188,744
Total deposits	207,915	240,210
 Repurchase agreement	 719,540	 405,108
Total investments	719,540	405,108
Total deposits and investments	\$927,455	\$645,318

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or 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 allows 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 held in the Village's name.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$961,700	\$952,070	(\$9,630)
Special Revenue	65,203	64,198	(1,005)
Capital Projects	409,443	609,489	200,046
Enterprise	463,400	496,026	32,626
Fiduciary	0	0	0
Total	<u>\$1,899,746</u>	<u>\$2,121,783</u>	<u>\$222,037</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,422,860	\$1,168,102	\$254,758
Special Revenue	89,790	86,140	3,650
Capital Projects	542,443	609,489	(67,046)
Enterprise	578,650	491,165	87,485
Fiduciary	12,700	0	12,700
Total	<u>\$2,646,443</u>	<u>\$2,354,896</u>	<u>\$291,547</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,186,595	\$984,291	(\$202,304)
Special Revenue	75,651	78,045	2,394
Capital Projects	198,260	152,926	(45,334)
Enterprise	371,058	521,390	150,332
Fiduciary	0	0	0
Total	<u>\$1,831,564</u>	<u>\$1,736,652</u>	<u>(\$94,912)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,878,280	\$1,374,758	\$503,522
Special Revenue	134,318	113,167	21,151
Capital Projects	223,534	219,087	4,447
Enterprise	568,211	591,650	(23,439)
Fiduciary	12,700	0	12,700
Total	<u>\$2,817,043</u>	<u>\$2,298,662</u>	<u>\$518,381</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Eastview Drive Assessment Fund by \$67,000 for the year ended December 31, 2004, and the Water Tower Construction Fund by \$133,730 for the year ended December 31, 2003.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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, 2004 was as follows:

	Principal	Interest Rate
Sanitary Sewer Improvement Refunding Bond	\$355,000	5.40%
Water Tower Bond Anticipation Note	105,000	1.05%
Ohio Water Development Authority Loan	59,095	7.66%
Park Land Acquisition Bond Anticipation Note	400,000	2.37%
Total	\$919,095	

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

The Water Tower Bond Anticipation Note was issued for the construction of a water tower. This note is renewed annually with the last renewal being made on May 21, 2004 for \$105,000 at 1.05%. The Village has imposed a monthly surcharge to water users to pay for this debt.

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 debt will be repaid in semiannual installments of scheduled amounts over 25 years.

The Park Land Acquisition Bond Anticipation Note was issued for \$400,000 on August 25, 2004 for the purpose of purchasing park land. The debt will be paid in part with a grant from the Ohio Dept. of Natural Resources.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Sanitary Sewer Improvement Refunding Bond</u>	<u>Water Tower Bond Anticipation Note</u>	<u>OWDA Loan</u>	<u>Park Land Acquisition Bond Anticipation Note</u>
2005	\$34,170	\$106,103	\$7,752	\$409,480
2006	38,360		7,775	
2007	37,280		7,801	
2008	36,200		7,829	
2009	35,120		7,859	
2010-2014	186,700		39,826	
2015-2018	148,090		8,092	
Total	<u>\$515,920</u>	<u>\$106,103</u>	<u>\$86,934</u>	<u>\$409,480</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 belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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



Auditor of State Betty Montgomery

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

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

To the Mayor and Village Council:

We have audited the financial statements of the Village of Fort Loramie, Shelby County, (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 14, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 14, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated September 14, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Village of Fort Loramie
Shelby County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the finance committee, management, and Village Council. It is not intended for 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

September 14, 2005

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall expend money unless it has been appropriated. The Village had two instances during 2004 and 2003 where expenditures exceeded appropriations at the legal level of control for the following funds:

December 31, 2003			
Fund/Function/Object	Total Appropriated	Total Expended	Variance
Water Tower Construction/Capital Outlay/Debt Service	\$66,484	\$200,214	(\$133,730)
December 31, 2004			
Fund/Function/Object	Total Appropriated	Total Expended	Variance
Eastview Drive Assessment/Capital Outlay/Contractual Services	0	67,000	(67,000)

The Village should monitor appropriations and expenditures throughout the fiscal year, making amendments to appropriations as needed to be in compliance with this section of Ohio Revised Code. Implementing these procedures will also reduce the risk that the Village expends or certifies as available more than what was legally appropriated by the Council.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Revised Code Section 117.28 – Finding for Recovery for overpayment to former employee for unused leave upon retirement.	Yes	
2002-002	Ohio Revised Code Section 5705.41(D) – Failure to properly certify availability of funds prior to incurring obligation.	No	Significant improvement, reported in a separate letter to management of the Village.
2002-003	Ohio Revised Code Section 5705.41 (B) – Expenditures exceeding appropriations.	No	Repeated as 2004-001
2002-004	Updating budgetary reports.	No	Significant improvement, reported in a separate letter to management of the Village.
2002-005	Proper fund classifications	Yes	



**Auditor of State
Betty Montgomery**

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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
OCTOBER 11, 2005**