



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Fort Loramie
Shelby County
Fort Loramie, Ohio

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Fort Loramie Village (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 and 2011, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2010 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We observed the year-end bank balance on the financial institution's website. The balance agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the Payment Register, to determine the debits were dated prior to December 31. We noted no exceptions.

Property Taxes and Intergovernmental

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2012 and one from 2011:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Register Report to determine whether it included two real estate tax receipts for 2012 and 2011. We noted the Receipts Register Report included the proper number of tax receipts for each year, except for 2012, there were three property tax receipts due to an analysis of the 'Real Estate Assessment Fund' by the County.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2012 and five from 2011. We also selected five receipts from the County Auditor's Appropriation History report from 2012 and five from 2011.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

1. We obtained the December 31, 2011 City of Fort Loramie Income Tax Report submitted by the City of St. Marys, the agency responsible for collecting income taxes on behalf of the Village for 2011. We agreed the total gross income taxes per year to the Village's Receipt Register Report. The amounts did not agree. The total income taxes per the City of St Marys' report was \$1,044,232 and the total per the 2011 Receipt Register was \$1,030,377 with a variance of \$13,655. In January 2012, the Village posted \$13,455 leaving the remaining variance of \$200.
2. We selected five income tax returns filed during 2012.
 - a. We compared the payment amount recorded on the tax return to the amount recorded on the Income Tax Cash Receipts Journal report. The amounts agreed.
 - b. We compared the Income Tax Cash Receipts Journal report total from step a. to the amount recorded as income tax receipts in the Receipt Register Report for that date. The amounts agreed.
3. We determined whether the receipts were recorded in the year received. We found no exceptions.
4. We selected five income tax refunds from 2012.
 - a. We compared the refund paid from Payment Register Detail Report to the refund amount requested in the tax return. The amounts agreed.
 - b. We noted each of the refunds was not approved by Village Administrator or Mayor. We recommend the Village Administrator or Mayor approved each refund to ensure that it is proper.
 - c. We noted the refunds were paid from the General Fund, as is required.

Water Operating, Sewer Operating, and Solid Waste Fund

1. We haphazardly selected 10 Water Operating, Sewer Operating, and Solid Waste Fund collection cash receipts from the year ended December 31, 2012 and 10 Water Operating, Sewer Operating, and Solid Waste Fund collection cash receipts from the year ended 2011 recorded in the Receipt Register Report and determined whether the:
 - a. Receipt amount per the Receipt Register Report agreed to the amount recorded in the Payment History Report by month, except for the following: Receipt #62-2011; Receipt #87-2011; and Receipt #137-2011.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Interim Receipts Report for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.

2. We read the Aged Accounts Report. For 2011, the Aged Accounts Report was dated December 6, 2011. The report was not printed as of December 31, 2011.
 - a. We noted this report listed \$7,823 and \$5,160 of accounts receivable as of December 31, 2012 and December 6, 2011, respectively.
 - b. Of the total receivables reported in the preceding step, \$4,324 and \$1,038 were recorded as more than 90 days delinquent.

3. We read the Adjustment History report.
 - a. We noted this report listed a total of \$274 and \$24 non-cash receipts adjustments for the years ended December 31, 2012 and 2011, respectively.
 - b. The adjustments were not approved by the Mayor or Village Administrator. We recommend that the Mayor or Village Administrator approve all non-cash adjustments prior to them being adjusted off the customer's account.

Debt

1. From the prior audit documentation, we noted the following loans and notes outstanding as of December 31, 2010. These amounts agreed to the Villages January 1, 2011 balances on the summary we used in step 3, except as noted below.

<u>Issue</u>	<u>Principal outstanding as of December 31, 2010:</u>	<u>Principal outstanding as of January 1, 2011:</u>
Ohio Public Works – Monterey Drive Industrial Park	\$ 81,575	\$ 81,575
Ohio Water Development Loan	\$232,978	\$232,909
Ohio Water Development – WTP	\$ 32,801	\$ 32,801
Sanitary Sewer Improvement	\$ 3,242	
	\$235,000	\$235,933

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. The Village received a \$500,000 loan proceeds from Ohio Public Works Commission for a water treatment plant in 2011. This amount was not listed as loan proceeds in the 2011 debt schedule.

Debt (Continued)

3. We obtained a summary of note debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedules to the General fund or applicable enterprise fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions except on the Industrial Park Property Loan, the Village was late several days on eight payments in 2012 and on two payments, interest and principal amounts were not allocated properly but the total amount paid agreed to the amortization schedule.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the OPWC Loan fund per the Receipt Register Report. The amounts agreed, except the amount was recorded as intergovernmental revenue instead of loan proceeds in the Village's accounting records. The amount also was not recorded in the proper fund. It was recorded in a governmental capital projects fund and should have been recorded in an enterprise capital projects fund, since it was for a Water Treatment Plant. This resulted in no fund adjustment due to the Village expensed all the revenue within the current year and the fund balance was zero at December 31, 2011.
5. For new debt issued during 2011, we inspected the debt legislation, noting the Village must use the proceeds for a water treatment plant. We scanned the Payment Register Detail Report and noted the Village made payments related to the water treatment plant.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Employee Detail Adjustment Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found one instance where an employee was not paid a two percent raise that was approved by Council on January 17, 2011. This was brought to management's attention. Because we did not test all pays, our report provides no assurance whether or not other similar errors occurred.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the Job Descriptions. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files was consistent with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2012. We noted the following:

Payroll Cash Disbursements (Continued)

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2013	January 8, 2013	\$2,890	\$2,890
State income taxes	January 15, 2013	January 7, 2013	\$ 629	\$ 629
School District Taxes	January 15, 2013	January 7, 2013	\$ 327	\$ 327
OPERS retirement	January 30, 2013	January 8, 2013	\$4,013	\$4,013
OP&F retirement	January 31, 2013	January 8, 2013	\$ 616	\$ 616

4. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Employee Detail Adjustment Report:

- a. Accumulated leave records
- b. The employee's pay rate in effect as of the termination date
- c. The Village's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2012 and ten from the year ended 2011 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found two instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the Amended Official Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street Maintenance and Repair and Water funds for the years ended December 31, 2012 and 2011. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the Water Fund for 2012. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Water fund of \$97,225 for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$99,169. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.

Compliance – Budgetary (Continued)

2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether, for the General, State Highway and Water funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2012 and 2011 for the following funds: General, State Highway and Water funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report, except for the General fund and Water fund. The 2012 Appropriation Status Report recorded appropriations for the General fund of \$1,865,360 and 182,556 for the Water fund. However the final Appropriation Resolution reflected \$1,865,686 for the General fund and \$184,536 for the Water fund. The 2011 Appropriation Status Report recorded appropriations for the General fund of \$1,985,248 and 154,562 for the Water fund. However the final Appropriation Resolution reflected \$1,985,281 for the General fund and \$154,549 for the Water fund. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to the amounts approved on the Appropriation Resolution to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, State Highway and Water funds for the years ended December 31, 2012 and 2011. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2012 and 2011 for the General, State Highway and Water funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2012 and 2011. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2012 and 2011 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$20,000 which Ohio Rev. Code Sections 5705.14 -- .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.

Compliance – Contracts & Expenditures

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2012 and 2011 for material or labor procurements which exceeded \$25,000 (\$50,000 effective September 29, 2011), and therefore required competitive bidding under Ohio Rev. Code Section 731.14.

Compliance – Contracts & Expenditures (Continued)

We identified paving projects; a 2012 street project; an Industrial Drive Expansion project; and a Sawmill & Hickory Drive Reconstruction project exceeding \$25,000 (\$50,000 effective September 29, 2011) subject to Ohio Rev. Code Section 731.14. For these projects, we noted that the Council advertised the projects in a local newspaper, and selected the lowest responsible bidders.

2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2012 and 2011 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

May 22, 2013

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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
JUNE 27, 2013**