



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF FORT LORAMIE  
SHELBY COUNTY  
DECEMBER 31, 2018 AND 2017**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018 .....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2018 .....	4
Notes to the Financial Statements - For the Year Ended December 31, 2018 .....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017 .....	13
Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2017 .....	14
Notes to the Financial Statements - For the Year Ended December 31, 2017 .....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings .....	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	28

**Page Intentionally Left Blank**



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fort Loramie, Shelby County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fort Loramie, Shelby County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 13, 2020

**Village of Fort Loramie**  
**Shelby County**  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Cash Basis)**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$138,199			\$138,199
Municipal Income Tax	1,269,594			1,269,594
Intergovernmental	846,461	\$80,572		927,033
Special Assessments	160,814	14,814		175,628
Charges for Services	824			824
Fines, Licenses and Permits	2,345			2,345
Earnings on Investments	32,965			32,965
Miscellaneous	35,078			35,078
<i>Total Cash Receipts</i>	<u>2,486,280</u>	<u>95,386</u>	<u>0</u>	<u>2,581,666</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	258,710			258,710
Public Health Services	6,862			6,862
Leisure Time Activities	82,485			82,485
Basic Utility Services	76,545			76,545
Transportation	58,849			58,849
General Government	300,578			300,578
Capital Outlay	879,392	50,851		930,243
Debt Service:				
Principal Retirement	141,511			141,511
Interest and Fiscal Charges	5,051			5,051
<i>Total Cash Disbursements</i>	<u>1,809,983</u>	<u>50,851</u>	<u>0</u>	<u>1,860,834</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>676,297</u>	<u>44,535</u>	<u>0</u>	<u>720,832</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	10,565			10,565
Transfers Out	(3,500)			(3,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>7,065</u>	<u>0</u>	<u>0</u>	<u>7,065</u>
<i>Net Change in Fund Cash Balances</i>	683,362	44,535	0	727,897
<i>Fund Cash Balances, January 1</i>	<u>1,065,940</u>	<u>191,503</u>	<u>67,071</u>	<u>1,324,514</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		236,038		236,038
Assigned	1,607,946		67,071	1,675,017
Unassigned	141,356			141,356
<i>Fund Cash Balances, December 31</i>	<u>\$1,749,302</u>	<u>\$236,038</u>	<u>\$67,071</u>	<u>\$2,052,411</u>

See accompanying notes to the financial statements

**Village of Fort Loramie**  
**Shelby County**  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balance (Cash Basis)**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2018**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$556,455
<i>Total Operating Cash Receipts</i>	556,455
<b>Operating Cash Disbursements</b>	
Personal Services	55,472
Employee Fringe Benefits	21,806
Contractual Services	301,566
Supplies and Materials	26,079
Other	170
<i>Total Operating Cash Disbursements</i>	405,093
<i>Operating Income</i>	151,362
<b>Non-Operating (Disbursements)</b>	
Capital Outlay	(155,363)
Principal Retirement	(60,000)
Interest and Fiscal Charges	(1,890)
<i>Total Non-Operating (Disbursements)</i>	(217,253)
<i>Income (Loss) before Transfers</i>	(65,891)
Transfers In	40,390
Transfers Out	(36,890)
<i>Net Change in Fund Cash Balance</i>	(62,391)
<i>Fund Cash Balance, January 1</i>	496,401
<i>Fund Cash Balance, December 31</i>	\$434,010

*See accompanying notes to the financial statements*



*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 1 - Reporting Entity**

The Village of Fort Loramie (the Village), Shelby County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village also contracts with the Shelby County Sheriff's Department to provide additional police services. The Village contracts with Fort Loramie Community Fire Company to receive fire protection and with the Fort Loramie Rescue Squad to receive EMS services. The Village also contracts with the City of St. Marys to provide for income tax and administrative services.

**Public Entity Risk Pool**

The Village participates in public entity risk pools, the Ohio Plan Risk Management, Inc. (OPRM) and the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. Note 6 to the financial statements provides additional information for these entities.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Construction Maintenance and Repair*** - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***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:

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Water Fund** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. Revenues are utilized to cover the costs of providing operation and maintenance of the water system as well as water system debt service repayment.

**Sewer Fund** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. Revenues are utilized to cover the costs of providing operation and maintenance of the sewer system as well as sewer system debt service repayment.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**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 approve estimated resources.

**Encumbrances** - The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

***Deposits***

The Village only has depository bank accounts.

***Village of Fort Loramie***  
***Shelby County***  
***Notes to the Financial Statements***  
***For the Year Ended December 31, 2018***

---

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Capital Assets***

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

***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.

***Fund Balance***

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:

***Nonspendable*** - The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***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.

***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.

***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.

***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.

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.

**Village of Fort Loramie**  
**Shelby County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,407,520	\$2,496,845	\$89,325
Special Revenue	89,400	95,386	5,986
Enterprise	550,560	596,845	46,285
Total	\$3,047,480	\$3,189,076	\$141,596

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,910,638	\$2,021,551	\$889,087
Special Revenue	270,903	50,851	220,052
Capital Projects	80,138	0	80,138
Enterprise	996,175	663,125	333,050
Total	\$4,257,854	\$2,735,527	\$1,522,327

**Note 4 – Deposits**

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

Demand deposits	2018 \$2,486,421
Total deposits	2,486,421

**Deposits**

Deposits are either insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 5 – Taxes**

***Property Taxes***

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the Village.

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

***Income Taxes***

The Village levies a municipal income tax of 1.5 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.

**Note 6 - Risk Management**

***Risk Pool Membership***

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

The Village also belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 6 - Risk Management (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	\$ 4,330,789

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

***Ohio Police and Fire Retirement System***

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

***Social Security***

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

*Village of Fort Loramie  
Shelby County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018*

---

**Note 7 - Defined Benefit Pension Plans (Continued)**

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Monterey Drive	\$45,320	0%
OPWC - Main Street	\$983,332	0%
Minster Bank-Street Improvement Loan	\$226,056	1.71%
OPWC-Water Treatment Plant	\$337,500	0%
Total	<u>\$1,592,208</u>	

The OPWC Monterey Drive Loan was used for construction on Monterey Drive. The debt will be repaid in semi-annual payments of \$2,266 with final payment due July 2028.

The OPWC Main Street Loan was issued in 2017 and used for the Main Street reconstruction project. The debt will be repaid in semi-annual payments of \$16,667 with final payment due January 2048.

The Village was approved for a street improvement project loan through Minster Bank. The total loan was approved for \$600,000. The loan is for a 5 year period, with monthly principal and interest payments, commencing on October 2015 and final payment due October 2020.

The OPWC Water Treatment Plant Loan was issued in 2012 for \$500,000. Semi-annual payments of \$12,500 are made with the final payment due January 2032.

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 9 – Debt (Continued)**

*Amortization*

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

Year Ending December 31:	OPWC- Monterey Drive	OPWC-Water Plant	Minster Bank- Street Improvement	OPWC-Main Street
2019	\$4,532	\$25,000	\$125,363	\$33,333
2020	4,532	25,000	104,469	33,333
2021	4,532	25,000		33,333
2022	4,532	25,000		33,333
2023	4,532	25,000		33,333
2024-2028	22,660	125,000		166,667
2029-2033		87,500		166,667
2034-2038				166,667
2039-2043				166,667
2044-2048				149,999
Total	<u>\$45,320</u>	<u>\$337,500</u>	<u>\$229,832</u>	<u>\$983,332</u>



**Village of Fort Loramie  
Shelby County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$128,307			\$128,307
Municipal Income Tax	1,379,340			1,379,340
Intergovernmental	83,642	\$80,305	\$393,578	557,525
Special Assessments	2,697			2,697
Charges for Services	105			105
Fines, Licenses and Permits	2,980			2,980
Earnings on Investments	25,766			25,766
Miscellaneous	15,395			15,395
<i>Total Cash Receipts</i>	<u>1,638,232</u>	<u>80,305</u>	<u>393,578</u>	<u>2,112,115</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	259,051			259,051
Public Health Services	6,552			6,552
Leisure Time Activities	88,216			88,216
Basic Utility Services	59,192			59,192
Transportation	52,863			52,863
General Government	265,953			265,953
Capital Outlay	1,823,535	200,000	1,445,998	3,469,533
Debt Service:				
Principal Retirement	122,793			122,793
Interest and Fiscal Charges	7,102			7,102
<i>Total Cash Disbursements</i>	<u>2,685,257</u>	<u>200,000</u>	<u>1,445,998</u>	<u>4,331,255</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(1,047,025)</u>	<u>(119,695)</u>	<u>(1,052,420)</u>	<u>(2,219,140)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Loan Proceeds			1,000,000	1,000,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,047,025)</u>	<u>(119,695)</u>	<u>(52,420)</u>	<u>(1,219,140)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,112,965</u>	<u>311,198</u>	<u>119,491</u>	<u>2,543,654</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		191,503		191,503
Assigned	916,608		67,071	983,679
Unassigned	149,332			149,332
<i>Fund Cash Balances, December 31</i>	<u>\$1,065,940</u>	<u>\$191,503</u>	<u>\$67,071</u>	<u>\$1,324,514</u>

See accompanying notes to the financial statements

**Village of Fort Loramie  
Shelby County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balance (Cash Basis)  
All Proprietary Fund Types  
For the Year Ended December 31, 2017**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$515,310
<i>Total Operating Cash Receipts</i>	515,310
<b>Operating Cash Disbursements</b>	
Personal Services	54,127
Employee Fringe Benefits	19,496
Contractual Services	247,008
Supplies and Materials	19,199
Other	289
<i>Total Operating Cash Disbursements</i>	340,119
<i>Operating Income</i>	175,191
<b>Non-Operating (Disbursements)</b>	
Capital Outlay	(21,760)
Principal Retirement	(60,000)
Interest and Fiscal Charges	(3,780)
<i>Total Non-Operating (Disbursements)</i>	(85,540)
<i>Income (Loss) before Transfers</i>	89,651
Transfers In	38,780
Transfers Out	(38,780)
<i>Net Change in Fund Cash Balance</i>	89,651
<i>Fund Cash Balance, January 1</i>	406,750
<i>Fund Cash Balance, December 31</i>	\$496,401

*See accompanying notes to the financial statements*

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 1 - Reporting Entity**

The Village of Fort Loramie (the Village), Shelby County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village also contracts with the Shelby County Sheriff's Department to provide additional police services. The Village contracts with Fort Loramie Community Fire Company to receive fire protection and with the Fort Loramie Rescue Squad to receive EMS services. The Village also contracts with the City of St. Marys to provide for income tax and administrative services.

**Public Entity Risk Pool**

The Village participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Construction Maintenance and Repair*** - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Capital Project Funds*** - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Main Street Reconstruction Fund*** - Accounts for and reports loan and grant proceeds from the Ohio Public Works Commission (OPWC) for the Main Street reconstruction project.

***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*** - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. Revenues are utilized to cover the costs of providing operation and maintenance of the water system as well as water system debt service repayment.

***Sewer Fund*** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. Revenues are utilized to cover the costs of providing operation and maintenance of the sewer system as well as sewer system debt service repayment.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department, and object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***Encumbrances*** - The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Deposits***

The Village only has depository bank accounts.

***Capital Assets***

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

***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.

***Fund Balance***

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:

***Nonspendable*** - The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***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.

***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.

***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.

***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 Fort Loramie**  
**Shelby County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2017**

**Note 2 - 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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,752,182	\$1,638,232	(\$1,113,950)
Special Revenue	70,900	80,305	9,405
Capital Projects	1,406,645	1,393,578	(13,067)
Enterprise	470,030	554,090	84,060
Total	\$4,699,757	\$3,666,205	(\$1,033,552)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,831,562	\$3,098,748	\$1,732,814
Special Revenue	381,875	200,000	181,875
Capital Projects	1,473,578	1,445,998	27,580
Enterprise	775,575	490,060	285,515
Total	\$7,462,590	\$5,234,806	\$2,227,784

**Note 4 – Deposits**

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

Demand deposits	2017 \$1,820,915
Total deposits	1,820,915

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 4 – Deposits (Continued)**

*Deposits*

Deposits are either insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

*Property Taxes*

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the Village.

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

*Income Taxes*

The Village levies a municipal income tax of 1.5 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.

**Note 6 - Risk Management**

*Risk Pool Membership*

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

*Village of Fort Loramie*  
*Shelby County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 6 - Risk Management (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belongs to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.



***Village of Fort Loramie***  
***Shelby County***  
***Notes to the Financial Statements***  
***For the Year Ended December 31, 2017***

---

**Note 7 - Defined Benefit Pension Plans**

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

***Social Security***

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Monterey Drive	\$49,852	0%
OPWC - Main Street	\$1,000,000	0%
Minster Bank-Street Improvement Loan	\$346,368	1.71%
Sanitary Sewer Improvement Loan	\$35,000	5.40%
OPWC-Water Treatment Plant	\$362,500	0%
Total	<u>\$1,793,720</u>	

The OPWC Monterey Drive Loan was used for construction on Monterey Drive. The debt will be repaid in semi-annual payments of \$2,266 with final payment due July 2028.

The OPWC Main Street Loan was issued in 2017 and used for the Main Street reconstruction project. The debt will be repaid in semi-annual payments of \$16,667 with final payment due January 2048.

The Village was approved for a street improvement project loan through Minster Bank. The total loan was approved for \$600,000. The loan is for a 5 year period, with monthly principal and interest payments, commencing on October 2015 and final payment due October 2020.

***Village of Fort Loramie  
Shelby County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017***

**Note 9 – Debt (Continued)**

The Sanitary Sewer Improvement Loan was issued for \$414,700 in 2001 for the sewer treatment improvement. The debt will be repaid in semi-annual installments with the final payment due December 2018.

The OPWC Water Treatment Plant Loan was issued in 2012 for \$500,000. Semi-annual payments of \$12,500 are made with the final payment due January 2032.

***Amortization***

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

Year Ending December 31:	OPWC- Monterery Drive	Sanitary Sewer Improvement	OPWC-Water Plant	Minster Bank- Street Improvement	OPWC-Main Street
2018	\$4,532	\$36,890	\$25,000	\$125,363	\$16,667
2019	4,532		25,000	125,363	33,333
2020	4,532		25,000	104,469	33,333
2021	4,532		25,000		33,333
2022	4,532		25,000		33,333
2023-2027	22,660		125,000		166,667
2028-2032	4,532		112,500		166,667
2033-2037					166,667
2038-2042					166,667
2043-2047					166,667
2048					16,666
Total	<u>\$49,852</u>	<u>\$36,890</u>	<u>\$362,500</u>	<u>\$355,195</u>	<u>\$1,000,000</u>

**Note 10 – Construction and Contractual Commitments**

In 2018, the Village will be constructing a new park called Redskin Memorial Park. The park will consist of 4 ball diamonds, concession stand, playground equipment, and a pavilion.

# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S 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, Ohio 45845

To the Members of Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Fort Loramie, Shelby County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 13, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

**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, opining 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 matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2018-002.

**Village's Response to Findings**

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 13, 2020

**VILLAGE OF FORT LORAMIE  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2018-001**

**Material Weakness – Financial Statement Errors**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified and adjusted on the Village's financial statements for 2018:

- The Village failed to record \$103,325 of income tax revenue in the proper period. The funds were collected by the Village's service organization, deposited into the Village bank account and available for use by the Village at fiscal year-end 2018. However, the Village did not record the revenue until 2019. This led to an understatement of general fund revenue and general fund cash balance.
- The Village recorded \$5,638 in special assessment revenue to the special revenue fund when this revenue should have been recorded in the general fund based on the related expenditure for the special assessment. The Village's accounting system has been updated for this error.
- The Village incorrectly recorded the total capital projects fund balance as restricted rather than assigned in the amount of \$67,071.
- The Village's 2018 carryover encumbrances and 2019 appropriations exceeded 2019 estimated resources by \$1,607,946 in the general fund. This amount was incorrectly classified as unassigned fund balance rather than assigned fund balance.

The following errors were identified and adjusted on the Village's financial statements for 2017:

- The Village incorrectly recorded \$1,000,000 in Ohio Public Works Commission loan proceeds as intergovernmental revenue in the capital projects fund.
- The Village incorrectly recorded a reimbursement grant in the amount of \$13,067 to the capital projects fund rather than the fund that paid the applicable expenditures (general fund) in a previous year. Therefore, intergovernmental revenue and cash fund balance was overstated for the capital projects fund and understated for the general fund. The Village's accounting system has been updated for this error.
- The Village incorrectly recorded the total capital projects fund balance as restricted rather than assigned in the amount of \$67,071.
- The Village's 2017 carryover encumbrances and 2018 appropriations exceeded 2018 estimated resources by \$916,608 in the general fund. This amount was incorrectly classified as unassigned fund balance rather than assigned fund balance.

The above errors were caused by a lack of controls over the financial reporting process and lack of understanding of Governmental Accounting Standards Board (GASB) Statement 54.

Failure to properly record and report financial activity could lead to material financial statement errors and misleading financial statement information.

**FINDING NUMBER 2018-001  
(Continued)**

Policies and procedures should be developed and implemented to verify that all financial activity is recorded correctly and properly reported. The Village should also perform a review of all Village funds and determine proper reporting of fund balances in accordance with GASB Statement 54 requirements and also review Auditor of State Bulletin 2011-004 for additional guidance.

**Officials' Response:** The new Fiscal Officer will see that proper accounting procedures are followed, that transactions are entered timely, proper accounts are used and accounts are properly classified.

**FINDING NUMBER 2018-002**

**Noncompliance**

Village Council Ordinance No. 2016-896 states, in part, the Village will be offering curbside pickup of recycling and the rate for recycling shall be \$3 per month for the period of 3/1/17 to 2/28/19.

The approved rate increase was not entered into the Village's utility billing system until January 2018 and Village residents were not billed the increased rate until then. For this time period, recycling customers were incorrectly billed at the previous rate of \$1.75 per month. The Village had approximately 600 recycling customers that were not billed the \$1.25 increase for a total of 10 months, which resulted in lost revenue to the Village of approximately \$7,500.

The Village's objective for the solid waste fund, which includes recycling activity, is to cover the Village's costs of offering a refuse and recycling program. The solid waste fund balance at year-end 2017 was \$965 and at year-end 2018 was \$5,196, which included a general fund transfer of \$3,500 that occurred during 2018. The fund's revenue totaled \$13,176 in 2017 and \$19,537 in 2018.

Failure to update the Village's utility billing system based on approved utility rates and effective dates of Village ordinances could lead to the Village failing to bill and collect revenue that is due, which could also lead to an inability to cover utility costs of the Village.

The Village should verify that any utility rate changes are entered into the utility billing system at the effective date stated in the applicable Village ordinance. Additionally, the Village Council and management should monitor utility billing rates to verify that the utility billing system includes the approved utility billing rates.

**Officials' Response:** All ordinances of this nature have been pulled and effective dates are on an Outlook calendar and will be updated immediately when they go into effect.

**2. OTHER – FINDING FOR RECOVERY**

In addition, we identified the following other issue related to Finding for Recovery. This issue did not impact our GAGAS report.

### FINDING NUMBER 2018-003

#### Finding for Recovery – Repaid Under Audit

Village Council approved pay rates for Village employees for 2017 and 2018. The Village Administrator, Anthony Schmitmeyer, was authorized to receive a 1.6% pay raise for 2017 according to Village Council's December 12, 2016 meeting minutes. The Village Administrator's 2016 pay rate was \$27.43 per hour; therefore, the authorized 2017 pay rate was \$27.87 per hour. However, the Village Administrator was paid at a rate of \$28.25 per hour throughout 2017. Including a vacation leave payout of 60 hours, the Village Administrator was compensated for a total of 2,140 hours during 2017. Given an overpayment of \$.38 per hour, the Village Administrator was overpaid by \$813 during 2017.

At the December 11, 2017 meeting, Village Council authorized all full-time employees to receive a 2.5% pay raise for 2018. The Village Administrator's 2018 pay rate was based on the incorrect pay rate that was paid in 2017. Therefore, he was paid at a rate of \$28.96 per hour throughout 2018. However, the Village Administrator's authorized pay rate was \$28.57 per hour for 2018. Including a vacation leave payout of 37 hours, the Village Administrator was compensated for a total of 2,197 hours during 2018. Given an overpayment of \$.39 per hour, the Village Administrator was overpaid for salary by \$856 during 2018.

The Village Administrator was overpaid by a total of \$1,669 during 2017 and 2018.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Village Administrator, Anthony Schmitmeyer, and in favor of the Village's general fund, in the amount of \$1,669.

Repayment was made via check on January 31, 2020, in the amount of \$1,669. This amount was deposited and recorded by the Village on January 31, 2020 to the Village's general fund.

The Village should implement procedures to verify that all employees are compensated at the authorized rate of pay.

**Officials' Response:** When the Village Administrators pay rate increase for 2017 was entered into UAN, it was incorrectly entered which resulted in the Village Administrator being over paid in 2017 and 2018. When the error was discovered, the Administrator reimbursed the Village for the over payment. Going forward, at the end of the year when pay increases/decreases are decided upon for employees the Fiscal Officer will then update their employee profiles accordingly within the UAN. The Mayor and/or Administrator will confirm all changes have been made and are correct. Once the first payroll at the new rates is complete a thorough review will be made by the Fiscal Officer, Mayor and/or Administrator to ensure that all changes that were made are in fact correct. This will prevent an error of this kind from occurring again.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance / Material Weakness - Ohio Rev. Code § 733.28, Ohio Rev. Code § 5735.28, and GASB 54 – The Fiscal Officer reporting accurate financial statement information, including proper reporting of fund balances, and the Village properly allocating revenue to the street fund and state highway fund.	Partially corrected	Some financial statement errors identified in the prior audit were not applicable to the current audit, some were corrected, and others have been repeated within Finding 2018-001.



# OHIO AUDITOR OF STATE KEITH FABER



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  
MARCH 24, 2020