



Dave Yost • Auditor of State

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

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SHELBY COUNTY

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Dave Yost • Auditor of State

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 cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fort Loramie, Shelby County, Ohio (the Village), and where applicable, cash flows as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fort Loramie, Shelby County, Ohio, as of December 31, 2014 and 2013, and the respective changes in cash financial position and where applicable, cash flows and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our January 14, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

January 14, 2016

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2014**

| | <u>Governmental Activities</u> | <u>Business Type</u> | <u>Total</u> |
|--|------------------------------------|--------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,267,018 | \$317,986 | \$2,585,004 |
| Total Assets | <u>2,267,018</u> | <u>317,986</u> | <u>2,585,004</u> |
| Net Position | | | |
| Restricted for: | | | |
| Other Purposes | 183,212 | | 183,212 |
| Unrestricted | <u>2,083,806</u> | <u>317,986</u> | <u>2,401,792</u> |
| Total Net Position | <u>\$2,267,018</u> | <u>\$317,986</u> | <u>\$2,585,004</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Program Cash Receipts | | |
|----------------------------------|-------------------------------|---|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions |
| Governmental Activities: | | | |
| Current: | | | |
| Security of Persons and Property | \$209,084 | | \$640 |
| Public Health Services | 3,490 | | |
| Leisure Time Activities | 46,953 | \$481 | |
| Basic Utility Services | 60,782 | | |
| Transportation | 68,604 | 2,497 | |
| General Government | 216,291 | 5,102 | |
| Capital Outlay | 245,951 | | |
| Debt Service: | | | |
| Principal Retirement | 11,556 | | |
| Interest and Fiscal Charges | 1,021 | | |
| Total Governmental Activities | 863,732 | 8,080 | 640 |
| Business Type Activities: | | | |
| Water Operating | 119,250 | 87,117 | |
| Sewer Operating | 279,528 | 267,833 | |
| Solid Waste Fund | 14,134 | 12,013 | |
| Water Treatment Plant Fund | 25,000 | 35,609 | |
| Sewage Retainage Fund | 38,640 | 40,271 | |
| Total Business Type Activities | 476,552 | 442,843 | |
| Total Primary Government | \$1,340,284 | \$450,923 | \$640 |

General Receipts:

Property Taxes
Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Sale of Capital Assets
Miscellaneous
Transfers
Total General Receipts and Transfers
Change in Net Position
Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position
Primary Government

| Governmental Activities | Business Type Activities | Total |
|------------------------------------|-------------------------------------|--------------------|
| (\$208,444) | | (\$208,444) |
| (3,490) | | (3,490) |
| (46,472) | | (46,472) |
| (60,782) | | (60,782) |
| (66,107) | | (66,107) |
| (211,189) | | (211,189) |
| (245,951) | | (245,951) |
| (11,556) | | (11,556) |
| (1,021) | | (1,021) |
| <u>(855,012)</u> | | <u>(855,012)</u> |
| | (\$32,133) | (32,133) |
| | (11,695) | (11,695) |
| | (2,121) | (2,121) |
| | 10,609 | 10,609 |
| | 1,631 | 1,631 |
| | <u>(33,709)</u> | <u>(33,709)</u> |
| <u>(855,012)</u> | <u>(33,709)</u> | <u>(888,721)</u> |
| 115,749 | | 115,749 |
| 1,161,518 | | 1,161,518 |
| 130,736 | | 130,736 |
| 8,151 | | 8,151 |
| 15,795 | | 15,795 |
| (2,000) | 2,000 | |
| <u>1,429,949</u> | <u>2,000</u> | <u>1,431,949</u> |
| 574,937 | (31,709) | 543,228 |
| 1,692,081 | 349,695 | 2,041,776 |
| <u>\$2,267,018</u> | <u>\$317,986</u> | <u>\$2,585,004</u> |

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------|---|---|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,083,806 | \$183,212 | \$2,267,018 |
| Total Assets | <u>2,083,806</u> | <u>183,212</u> | <u>2,267,018</u> |
| Fund Cash Balances, December 31: | | | |
| Restricted | | 183,212 | 183,212 |
| Assigned | 2,078,823 | | 2,078,823 |
| Unassigned | 4,983 | | 4,983 |
| Fund Cash Balances, December 31 | <u>\$2,083,806</u> | <u>\$183,212</u> | <u>\$2,267,018</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------|---|---|
| Receipts: | | | |
| Municipal Income Taxes | \$1,161,518 | | \$1,161,518 |
| Property Taxes | 115,749 | | 115,749 |
| Intergovernmental | 58,080 | \$77,024 | 135,104 |
| Special Assessments | 2,497 | | 2,497 |
| Charges for Services | 481 | | 481 |
| Fines, Licenses and Permits | 1,375 | | 1,375 |
| Miscellaneous | 15,795 | | 15,795 |
| Total Receipts | <u>1,355,495</u> | <u>77,024</u> | <u>1,432,519</u> |
| Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 209,084 | | 209,084 |
| Public Health Services | 3,490 | | 3,490 |
| Leisure Time Activities | 46,953 | | 46,953 |
| Basic Utility Services | 60,782 | | 60,782 |
| Transportation | 68,604 | | 68,604 |
| General Government | 216,291 | | 216,291 |
| Capital Outlay | 243,269 | 2,683 | 245,952 |
| Debt Service: | | | |
| Principal Retirement | 11,556 | | 11,556 |
| Interest and Fiscal Charges | 1,021 | | 1,021 |
| Total Disbursements | <u>861,050</u> | <u>2,683</u> | <u>863,733</u> |
| Excess of Receipts Over Disbursements | <u>494,445</u> | <u>74,341</u> | <u>568,786</u> |
| Other Financing Sources (Uses): | | | |
| Sale of Capital Assets | 8,151 | | 8,151 |
| Transfers Out | (2,000) | | (2,000) |
| Total Other Financing Sources (Uses) | <u>6,151</u> | | <u>6,151</u> |
| Net Change in Fund Balances | <u>500,596</u> | <u>74,341</u> | <u>574,937</u> |
| Fund Balances Beginning of Year | <u>1,583,210</u> | <u>108,871</u> | <u>1,692,081</u> |
| Fund Balances End of Year | <u>\$2,083,806</u> | <u>\$183,212</u> | <u>\$2,267,018</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGET BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Final Budget Positive (Negative)</u> |
|---|-----------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| Municipal Income Taxes | \$1,000,000 | \$1,000,000 | \$1,161,518 | \$161,518 |
| Property Taxes | 121,571 | 121,571 | 115,749 | (5,822) |
| Intergovernmental | 51,903 | 51,903 | 58,080 | 6,177 |
| Special Assessments | 2,141 | 2,141 | 2,497 | 356 |
| Charges for Services | 500 | 500 | 481 | (19) |
| Fines, Licenses and Permits | 850 | 850 | 1,375 | 525 |
| Miscellaneous | 15,000 | 15,000 | 15,795 | 795 |
| Total Receipts | <u>1,191,965</u> | <u>1,191,965</u> | <u>1,355,495</u> | <u>163,530</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 218,746 | 215,956 | 213,834 | 2,122 |
| Public Health Services | 7,553 | 7,553 | 3,490 | 4,063 |
| Leisure Time Activities | 64,939 | 65,739 | 47,106 | 18,633 |
| Basic Utility Services | 65,383 | 64,378 | 61,596 | 2,782 |
| Transportation | 72,848 | 72,848 | 70,083 | 2,765 |
| General Government | 2,319,821 | 2,319,821 | 276,807 | 2,043,014 |
| Capital Outlay | | | 256,788 | (256,788) |
| Debt Service: | | | | |
| Principal Retirement | | | 11,556 | (11,556) |
| Interest and Fiscal Charges | | | 1,021 | (1,021) |
| Total Disbursements | <u>2,749,290</u> | <u>2,746,295</u> | <u>942,281</u> | <u>1,804,014</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(1,557,325)</u> | <u>(1,554,330)</u> | <u>413,214</u> | <u>1,967,544</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of Capital Assets | 6,000 | 6,000 | 8,151 | 2,151 |
| Transfers Out | | | (2,000) | (2,000) |
| Total Other Financing Sources (Uses) | <u>6,000</u> | <u>6,000</u> | <u>6,151</u> | <u>151</u> |
| Net Change in Fund Balance | <u>(1,551,325)</u> | <u>(1,548,330)</u> | <u>419,365</u> | <u>1,967,695</u> |
| Unencumbered Fund Balance Beginning of Year | 1,555,780 | 1,555,780 | 1,555,780 | |
| Prior Year Encumbrances Appropriated | 27,430 | 27,430 | 27,430 | |
| Unencumbered Balance End of Year | <u>\$31,885</u> | <u>\$34,880</u> | <u>\$2,002,575</u> | <u>\$1,967,695</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS - PROPRIETARY FUNDS
DECEMBER 31, 2014**

| | Business Type Activities | | | Total Enterprise Funds |
|--|---------------------------------|----------------------------|---------------------------------------|---------------------------------------|
| | Water Operating | Sewer Operating | Other Enterprise Funds | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$88,703 | \$152,246 | \$77,037 | \$317,986 |
| Total Assets | <u>\$88,703</u> | <u>\$152,246</u> | <u>\$77,037</u> | <u>\$317,986</u> |
| Net Position: | | | | |
| Unrestricted | \$88,703 | \$152,246 | \$77,037 | \$317,986 |
| Total Net Position | <u>\$88,703</u> | <u>\$152,246</u> | <u>\$77,037</u> | <u>\$317,986</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET POSITION -
CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Business Type Activities | | | Total Enterprise Funds |
|--|---------------------------------|----------------------------|---------------------------------------|---------------------------------------|
| | Water Operating | Sewer Operating | Other Enterprise Funds | |
| Operating Receipts: | | | | |
| Charges for Services | \$87,117 | \$267,833 | \$87,893 | \$442,843 |
| Total Operating Receipts | <u>87,117</u> | <u>267,833</u> | <u>87,893</u> | <u>442,843</u> |
| Operating Disbursements: | | | | |
| Personal Services | 32,481 | 31,673 | | 64,154 |
| Employee Fringe Benefits | 12,836 | 12,858 | | 25,694 |
| Contractual Services | 44,404 | 184,320 | 14,134 | 242,858 |
| Supplies and Materials | 19,859 | 2,162 | | 22,021 |
| Other | 500 | | | 500 |
| Total Operating Disbursements | <u>110,080</u> | <u>231,013</u> | <u>14,134</u> | <u>355,227</u> |
| Operating Income (Loss) | <u>(22,963)</u> | <u>36,820</u> | <u>73,759</u> | <u>87,616</u> |
| Non-Operating Receipts (Disbursements): | | | | |
| Capital Outlay | (9,170) | (48,515) | | (57,685) |
| Principal Retirement | | | (55,000) | (55,000) |
| Interest and Other Fiscal Charges | | | (8,640) | (8,640) |
| Total Non-Operating Receipts (Disbursements) | <u>(9,170)</u> | <u>(48,515)</u> | <u>(63,640)</u> | <u>(121,325)</u> |
| Income (Loss) before Transfers | <u>(32,133)</u> | <u>(11,695)</u> | <u>10,119</u> | <u>(33,709)</u> |
| Transfers In | | | 2,000 | 2,000 |
| Change in Net Position | <u>(32,133)</u> | <u>(11,695)</u> | <u>12,119</u> | <u>(31,709)</u> |
| Net Position Beginning of Year | <u>120,836</u> | <u>163,941</u> | <u>64,918</u> | <u>349,695</u> |
| Net Position End of Year | <u><u>\$88,703</u></u> | <u><u>\$152,246</u></u> | <u><u>\$77,037</u></u> | <u><u>\$317,986</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS - CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Business Type Activities | | | Total Enterprise Funds |
|--|---------------------------------|----------------------------|---------------------------------------|---------------------------------------|
| | Water Operating | Sewer Operating | Other Enterprise Funds | |
| Increase (Decrease) in Cash and Cash Equivalents: | | | | |
| Cash Flows from Operating Activities: | | | | |
| Cash Received from Customers | \$87,117 | \$267,833 | \$87,893 | \$442,843 |
| Cash Payments to Employees for Services | (32,481) | (31,673) | | (64,154) |
| Cash Payments for Employee Benefits | (12,836) | (12,858) | | (25,694) |
| Cash Payments for Goods and Services | (64,263) | (186,482) | (14,134) | (264,879) |
| Other Cash Payments | (500) | | | (500) |
| Net Cash Provided by (Used in) Operating Activities | <u>(22,963)</u> | <u>36,820</u> | <u>73,759</u> | <u>87,616</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Transfers In | | | 2,000 | 2,000 |
| Net Cash Provided by (Used in) Noncapital Financing | | | <u>2,000</u> | <u>2,000</u> |
| Cash Flows from Capital and Related Financing | | | | |
| Principal Paid on Debt | | | (55,000) | (55,000) |
| Interest Paid on Debt | | | (8,640) | (8,640) |
| Payments for Capital Acquisitions | (9,170) | (48,515) | | (57,685) |
| Net Cash Provided by (Used in) Capital and Related | <u>(9,170)</u> | <u>(48,515)</u> | <u>(63,640)</u> | <u>(121,325)</u> |
| Cash Flows from Investing Activities: | | | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(32,133)</u> | <u>(11,695)</u> | <u>12,119</u> | <u>(31,709)</u> |
| Cash and Cash Equivalents Beginning of Year | <u>120,836</u> | <u>163,941</u> | <u>64,918</u> | <u>349,695</u> |
| Cash and Cash Equivalents End of Year | <u><u>\$88,703</u></u> | <u><u>\$152,246</u></u> | <u><u>\$77,037</u></u> | <u><u>\$317,986</u></u> |

See accompanying notes to the basic financial statements.

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**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. REPORTING ENTITY

The Village of Fort Loramie, Shelby County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The Village is comprised of the primary government, component units, and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, and maintenance of Village roads, park operations, and police services.

B. Component Units

The Village has no component units.

C. Joint Ventures

The Village has no joint ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

1. Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's only major governmental fund is the General Fund.

General Fund - is used to account for all financial resources, except those required to be accounted for 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.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Operating Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Operating Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations are adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither any other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as 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 – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Village Council. The committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

3. ACCOUNTABILITY AND COMPLIANCE

The Village monitors appropriations and expenditures throughout the fiscal year, making amendments to appropriations as needed to be in compliance with Ohio Revised Code 5705.39.

The Village did not comply with Ohio Rev. Code Section 733.28 for maintaining an accurate accounting system and posting receipts to the proper fund.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budget basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budget basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budget basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budget basis) amounted to \$81,231 for the General Fund.

5. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the Village's deposits was \$2,585,004 and the bank balance was \$2,651,095. Of the bank balance, \$308,623 was covered by federal depository insurance and \$2,342,472 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. INCOME TAXES

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1.5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

7. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2014 represent the collection of 2013 taxes. Real property taxes received in 2014 were levied after October 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2014 represent the collection of 2013 taxes. Public utility real and tangible personal property taxes received in 2014 became a lien on December 31, 2012 were levied after October 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2014, was \$3.95 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2014 property tax receipts were based are as follows:

| | |
|---------------------------------|----------------------------|
| Real Property: | |
| Residential & Agriculture | \$27,646,560 |
| Commercial/Industrial | 6,993,100 |
| Public Utility Property: | <u>483,860</u> |
| Total Assessed Value | <u><u>\$35,123,520</u></u> |

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides medical insurance, life insurance, and dental coverage for all full time employees through a private carrier.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml> or by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2014 the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2014 was 14 percent. The portion of the Village's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contribution for the years' pension obligation to the traditional pension and combined plans for the years ended December 31, 2014, 2013, and 2012 were \$30,848, \$29,107 and \$26,431; 100 percent has been contributed for the years ended December 31, 2014, 2013 and 2012.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.75 percent from January 1, 2014 to July 1, 2014 and 11.5 percent of their annual covered salary from July 1, 2014 to December 31, 2014 to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The Village's required contributions for pension obligations to OP&F for police officers for the years ended December 31, 2014, 2013, and 2012 were \$17,857, \$17,693, and \$15,407; 100 percent has been contributed for the years ended December 31, 2014, 2013 and 2012.

10. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Village's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012, was \$57,102, \$32,890, and \$135,564, respectively. The full amount has been contributed for 2014, 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent of covered payroll for police. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police for the years ended December 31, 2014, 2013 and 2012 were \$4,579, \$3,421 and \$5,333 respectively. The full amount has been contributed for the years ended December 31, 2014, 2013 and 2012.

11. DEBT

The Village's long-term debt activity for the year ended December 31, 2014, was as follows:

| | Balance 12/31/2013 | Reductions | Balance 12/31/2014 | Balance Due Within One Year |
|----------------------------------|-------------------------------|-------------------|-------------------------------|--|
| Ohio Public Works - Monterey Dr. | \$67,979 | \$4,532 | \$63,447 | \$4,532 |
| Ohio Water Development Loan | 14,588 | 7,024 | 7,564 | 7,564 |
| Total Governmental Activities | <u>82,567</u> | <u>11,556</u> | <u>71,011</u> | <u>12,096</u> |
| Sanitary Sewer Improvement | 160,000 | 30,000 | 130,000 | 30,000 |
| Ohio Public Works - WTP | 450,000 | 25,000 | 425,000 | 25,000 |
| Total Business Type Activities | <u>610,000</u> | <u>55,000</u> | <u>555,000</u> | <u>55,000</u> |
| Total Long-Term Obligations | <u>\$692,567</u> | <u>\$66,556</u> | <u>\$626,011</u> | <u>\$67,096</u> |

Ohio Public Works (OPWC) Loan was used for construction on Monterey Drive. The debt will be repaid in semi-annual payments of \$2,266 at 0% interest, final payment due July 2028.

The Ohio Water Development Authority (OWDA) Loan was issued in 1991 for \$89,496 for the Fort Loramie Industrial Park to develop roadways and all necessary utilities to service the area. The debt will be repaid in semi-annual principal and interest payments of \$3,929 at 7.66% interest, final payment due July 2015.

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 at 5.4% interest, final payment due December 2018.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. DEBT (Continued)

The Water Treatment Plant loan through the Ohio Public Works Commission (OPWC) was issued in 2012 for \$500,000. The loan will be repaid at 0% interest for 20 years in semi-annual installments of \$12,500.

The following is a summary of the Village's future annual debt service requirements:

| Year | Ohio Public Works Commission | Ohio Water Development Loan | | Sanitary Sewer Improvement | | OPWC Water Treatment Plant |
|-----------|------------------------------|-----------------------------|--------------|----------------------------|-----------------|----------------------------|
| | Principal | Principal | Interest | Principal | Interest | Principal |
| 2015 | \$4,532 | \$7,564 | \$578 | \$30,000 | \$7,020 | \$25,000 |
| 2016 | 4,532 | | | 30,000 | 5,400 | 25,000 |
| 2017 | 4,532 | | | 35,000 | 3,780 | 25,000 |
| 2018 | 4,532 | | | 35,000 | 1,890 | 25,000 |
| 2019 | 4,532 | | | | | 25,000 |
| 2020-2024 | 22,660 | | | | | 125,000 |
| 2025-2029 | 18,127 | | | | | 125,000 |
| 2030-2034 | | | | | | 50,000 |
| | <u>\$63,447</u> | <u>\$7,564</u> | <u>\$578</u> | <u>\$130,000</u> | <u>\$18,090</u> | <u>\$425,000</u> |

12. SUBSEQUENT EVENTS

The village is looking at various street projects in the future. One major project would be the reconstruction of South Main St. (SR 66). The finance committee has started retaining funds for the reconstruction in 2013. Other projects are the replacement of waterlines along Elm Street and the I/I removal project.

Also, the Village obtained a loan through Minster Bank in the amount of \$600,000 in March 2015 to help fund the Elm, West Main, Water and Middle Street Project. The interest rate is 1.71%. The remaining funds for the project were obtained through an Ohio Public Works Commission (OPWC) grant.

13. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. FUND BALANCES (Continued)

| <u>Fund Balances</u> | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|------------------------|---------------------|---|--------------------|
| Restricted for: | | | |
| Road Improvements | | \$171,212 | \$171,212 |
| Park Operations | | 12,000 | 12,000 |
| Total Restricted | | <u>183,212</u> | <u>183,212</u> |
| Assigned to: | | | |
| Other Purposes | \$2,078,823 | | 2,078,823 |
| Total Assigned | <u>2,078,823</u> | | <u>2,078,823</u> |
| Unassigned: | 4,983 | | 4,983 |
| Total Fund Balances | <u>\$2,083,806</u> | <u>\$183,212</u> | <u>\$2,267,018</u> |

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2013**

| | Governmental Activities | Business Type Activities | Total |
|--|------------------------------------|-------------------------------------|--------------|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,692,081 | \$349,695 | \$2,041,776 |
| Total Assets | \$1,692,081 | \$349,695 | \$2,041,776 |
| Net Position: | | | |
| Restricted for: | | | |
| Other Purposes | \$108,871 | | \$108,871 |
| Unrestricted | \$1,583,210 | \$349,695 | \$1,932,905 |
| Total Net Position | \$1,692,081 | \$349,695 | \$2,041,776 |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Cash</u> | <u>Program Cash Receipts</u> |
|----------------------------------|----------------------|---------------------------------------|
| | <u>Disbursements</u> | <u>Charges for Services and Sales</u> |
| Governmental Activities: | | |
| Current: | | |
| Security of Persons and Property | \$201,430 | |
| Public Health Services | 7,553 | |
| Leisure Time Activities | 43,732 | \$497 |
| Basic Utility Services | 68,441 | |
| Transportation | 102,569 | 17,337 |
| General Government | 230,183 | 5,482 |
| Capital Outlay | 376,699 | |
| Debt Service: | | |
| Principal Retirement | 29,956 | |
| Interest and Fiscal Charges | 1,607 | |
| Other | 175 | |
| Total Governmental Activities | 1,062,345 | 23,316 |
| Business Type Activities: | | |
| Water Operating | 97,958 | 100,799 |
| Sewer Operating | 286,073 | 273,516 |
| Solid Waste Fund | 12,752 | 12,661 |
| Water Treatment Plant Fund | 25,000 | 48,238 |
| Sewage Retainage Fund | 34,990 | 36,000 |
| Total Business Type Activities | 456,773 | 471,214 |
| Total Primary Government | \$1,519,118 | \$494,530 |

General Receipts:

- Property Taxes
- Income Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Sale of Capital Assets
- Miscellaneous
- Total General
- Change in Net Position
- Net Position Beginning of Year
- Net Position End of Year

See accompanying notes to the basic financial statements.

| Net (Disbursements) Receipts and Changes in Net Position | | |
|---|-------------------------------------|--------------------|
| Primary Government | | |
| Governmental Activities | Business Type Activities | Total |
| (\$201,430) | | (\$201,430) |
| (7,553) | | (7,553) |
| (43,235) | | (43,235) |
| (68,441) | | (68,441) |
| (85,232) | | (85,232) |
| (224,701) | | (224,701) |
| (376,699) | | (376,699) |
| (29,956) | | (29,956) |
| (1,607) | | (1,607) |
| (175) | | (175) |
| <u>(1,039,029)</u> | | <u>(1,039,029)</u> |
| | \$2,841 | 2,841 |
| | (12,557) | (12,557) |
| | (91) | (91) |
| | 23,238 | 23,238 |
| | 1,010 | 1,010 |
| | <u>14,441</u> | <u>14,441</u> |
| <u>(1,039,029)</u> | <u>14,441</u> | <u>(1,024,588)</u> |
| 120,907 | | 120,907 |
| 1,242,278 | | 1,242,278 |
| 172,709 | | 172,709 |
| 77,500 | | 77,500 |
| 20,450 | | 20,450 |
| <u>1,633,844</u> | | <u>1,633,844</u> |
| 594,815 | 14,441 | 609,256 |
| 1,097,266 | 335,254 | 1,432,520 |
| <u>\$1,692,081</u> | <u>\$349,695</u> | <u>\$2,041,776</u> |

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------|---|---|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,583,210 | \$108,871 | \$1,692,081 |
| Total Assets | <u>1,583,210</u> | <u>108,871</u> | <u>1,692,081</u> |
| Fund Cash Balances, December 31: | | | |
| Restricted | | 108,871 | 108,871 |
| Assigned | 1,574,940 | | 1,574,940 |
| Unassigned | 8,270 | | 8,270 |
| Fund Cash Balances, December 31 | <u>\$1,583,210</u> | <u>\$108,871</u> | <u>\$1,692,081</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|---|---|
| Receipts: | | | |
| Municipal Income Taxes | \$1,242,278 | | \$1,242,278 |
| Property Taxes | 120,907 | | 120,907 |
| Intergovernmental | 97,725 | \$78,711 | 176,436 |
| Special Assessments | 17,337 | | 17,337 |
| Charges for Services | 497 | | 497 |
| Fines, Licenses and Permits | 1,755 | | 1,755 |
| Miscellaneous | 20,450 | | 20,450 |
| Total Receipts | <u>1,500,949</u> | <u>78,711</u> | <u>1,579,660</u> |
| Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 201,430 | | 201,430 |
| Public Health Services | 7,553 | | 7,553 |
| Leisure Time Activities | 43,732 | | 43,732 |
| Basic Utility Services | 68,441 | | 68,441 |
| Transportation | 98,390 | 4,179 | 102,569 |
| General Government | 230,183 | | 230,183 |
| Capital Outlay | 283,645 | 93,054 | 376,699 |
| Debt Service: | | | |
| Principal Retirement | 29,956 | | 29,956 |
| Interest and Fiscal Charges | 1,607 | | 1,607 |
| Total Disbursements | <u>964,937</u> | <u>97,233</u> | <u>1,062,170</u> |
| Excess of Receipts Over (Under) Disbursements | <u>536,012</u> | <u>(18,522)</u> | <u>517,490</u> |
| Other Financing Sources (Uses): | | | |
| Sale of Capital Assets | 77,500 | | 77,500 |
| Other Financing Uses | (175) | | (175) |
| Total Other Financing Sources (Uses) | <u>77,325</u> | | <u>77,325</u> |
| Net Change in Fund Balances | 613,337 | (18,522) | 594,815 |
| Fund Balances Beginning of Year | 969,873 | 127,393 | 1,097,266 |
| Fund Balances End of Year | <u>\$1,583,210</u> | <u>\$108,871</u> | <u>\$1,692,081</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Budget Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-----------------------|------------------|--------------------|---|
| | Original | Final | | |
| Receipts: | | | | |
| Municipal Income Taxes | \$1,000,000 | \$1,000,000 | \$1,242,278 | \$242,278 |
| Property Taxes | 117,700 | 117,700 | 120,907 | 3,207 |
| Intergovernmental | 96,493 | 96,493 | 97,725 | 1,232 |
| Special Assessments | 24,463 | 24,463 | 17,337 | (7,126) |
| Charges for Services | 500 | 500 | 497 | (3) |
| Fines, Licenses and Permits | 750 | 750 | 1,755 | 1,005 |
| Miscellaneous | 15,000 | 15,000 | 20,450 | 5,450 |
| Total Receipts | <u>1,254,906</u> | <u>1,254,906</u> | <u>1,500,949</u> | <u>246,043</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 210,434 | 206,120 | 204,218 | 1,902 |
| Public Health Services | 7,553 | 7,553 | 7,553 | |
| Leisure Time Activities | 61,833 | 60,833 | 43,751 | 17,082 |
| Basic Utility Services | 85,376 | 83,907 | 69,446 | 14,461 |
| Transportation | 102,248 | 97,861 | 98,392 | (531) |
| General Government | 1,750,361 | 1,750,361 | 253,798 | 1,496,563 |
| Capital Outlay | | | 283,646 | (283,646) |
| Debt Service: | | | | |
| Principal Retirement | | | 29,956 | (29,956) |
| Interest and Fiscal Charges | | | 1,607 | (1,607) |
| Total Disbursements | <u>2,217,805</u> | <u>2,206,635</u> | <u>992,367</u> | <u>1,214,268</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(962,899)</u> | <u>(951,729)</u> | <u>508,582</u> | <u>1,460,311</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of Capital Assets | | | 77,500 | 77,500 |
| Other Financing Uses | | (660) | (175) | 485 |
| Total Other Financing Sources (Uses) | | <u>(660)</u> | <u>77,325</u> | <u>77,985</u> |
| Net Change in Fund Balance | (962,899) | (952,389) | 585,907 | 1,538,296 |
| Unencumbered Fund Balance Beginning of Year | 952,399 | 952,399 | 952,399 | |
| Prior Year Encumbrances Appropriated | 17,474 | 17,474 | 17,474 | |
| Unencumbered Balance End of Year | <u>\$6,974</u> | <u>\$17,484</u> | <u>\$1,555,780</u> | <u>\$1,538,296</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS - PROPRIETARY FUNDS
DECEMBER 31, 2013**

| | Business Type Activities | | | |
|--|---------------------------------|----------------------------|---------------------------------------|---------------------------------------|
| | Water Operating | Sewer Operating | Other Enterprise Funds | Total Enterprise Funds |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$120,836 | \$163,941 | \$64,918 | \$349,695 |
| Total Assets | <u>120,836</u> | <u>163,941</u> | <u>64,918</u> | <u>349,695</u> |
| Net Position: | | | | |
| Unrestricted | 120,836 | 163,941 | 64,918 | 349,695 |
| Total Net Position | <u>\$120,836</u> | <u>\$163,941</u> | <u>\$64,918</u> | <u>\$349,695</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET POSITION -
CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Business Type Activities | | | Total Enterprise Funds |
|--|---------------------------------|----------------------------|---------------------------------------|---------------------------------------|
| | Water Operating | Sewer Operating | Other Enterprise Funds | |
| Operating Receipts: | | | | |
| Charges for Services | \$100,799 | \$273,516 | \$96,899 | \$471,214 |
| Total Operating Receipts | <u>100,799</u> | <u>273,516</u> | <u>96,899</u> | <u>471,214</u> |
| Operating Disbursements: | | | | |
| Personal Services | 26,462 | 28,249 | | 54,711 |
| Employee Fringe Benefits | 8,660 | 9,011 | | 17,671 |
| Contractual Services | 41,450 | 163,665 | 12,752 | 217,867 |
| Supplies and Materials | 17,196 | 7,584 | | 24,780 |
| Other | 252 | | | 252 |
| Total Operating Disbursements | <u>94,020</u> | <u>208,509</u> | <u>12,752</u> | <u>315,281</u> |
| Operating Income | <u>6,779</u> | <u>65,007</u> | <u>84,147</u> | <u>155,933</u> |
| Non-Operating Receipts (Disbursements): | | | | |
| Capital Outlay | (3,938) | (77,564) | | (81,502) |
| Principal Retirement | | | (50,000) | (50,000) |
| Interest and Other Fiscal Charges | | | (9,990) | (9,990) |
| Total Non-Operating Receipts (Disbursements) | <u>(3,938)</u> | <u>(77,564)</u> | <u>(59,990)</u> | <u>(141,492)</u> |
| Change in Net Position | 2,841 | (12,557) | 24,157 | 14,441 |
| Net Position Beginning of Year | 117,995 | 176,498 | 40,761 | 335,254 |
| Net Position End of Year | <u>\$120,836</u> | <u>\$163,941</u> | <u>\$64,918</u> | <u>\$349,695</u> |

See accompanying notes to the basic financial statements.

VILLAGE OF FORT LORAMIE
SHELBY COUNTY

STATEMENT OF CASH FLOWS - CASH BASIS - PROPRIETARY FUNDS
DECEMBER 31, 2013

| | Business Type Activities | | | |
|---|--------------------------|--------------------|------------------------------|------------------------------|
| | Water Operating | Sewer Operating | Other Enterprise Funds | Total Enterprise Funds |
| Increase (Decrease) in Cash and Cash Equivalents: | | | | |
| Cash Flows from Operating Activities: | | | | |
| Cash Received from Customers | \$100,799 | \$273,516 | \$96,899 | \$471,214 |
| Cash Payments to Employees for Services | (26,462) | (28,249) | | (54,711) |
| Cash Payments for Employee Benefits | (8,660) | (9,011) | | (17,671) |
| Cash Payments for Goods and Services | (58,646) | (171,249) | (12,752) | (242,647) |
| Other Cash Payments | (252) | | | (252) |
| Net Cash Provided by (Used in) Operating Activities | <u>6,779</u> | <u>65,007</u> | <u>84,147</u> | <u>155,933</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Principal Paid on Debt | | | (50,000) | (50,000) |
| Interest Paid on Debt | | | (9,990) | (9,990) |
| Payments for Capital Acquisitions | (3,938) | (77,564) | | (81,502) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(3,938)</u> | <u>(77,564)</u> | <u>(59,990)</u> | <u>(141,492)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,841 | (12,557) | 24,157 | 14,441 |
| Cash and Cash Equivalents Beginning of Year | 117,995 | 176,498 | 40,761 | 335,254 |
| Cash and Cash Equivalents End of Year | <u>\$120,836</u> | <u>\$163,941</u> | <u>\$64,918</u> | <u>\$349,695</u> |

See accompanying notes to the basic financial statements.

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**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. REPORTING ENTITY

The Village of Fort Loramie, Shelby County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The Village is comprised of the primary government, component units, and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, and maintenance of Village roads, park operations, and police services.

B. Component Units

The Village has no component units.

C. Joint Ventures

The Village has no joint ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

1. Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's only major governmental fund is the General Fund.

General Fund – is used to account for all financial resources, except those required to be accounting for 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.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Operating Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Operating Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations are adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither any other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not Presented in the financial statements.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as 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 – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Village Council. The committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Village first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

3. ACCOUNTABILITY AND COMPLIANCE

The Village monitors appropriations and expenditures throughout the fiscal year, making amendments to appropriations as needed to be in compliance with Ohio Revised Code 5705.39.

The Village did not comply with Ohio Rev. Code Section 733.28 for maintaining an accurate accounting system and posting receipts to the proper fund.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budget basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budget basis) rather than as a reservation of fund balance (cash basis)(and outstanding year end advances are treated as an other financing source or use (budget basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budget basis) amounted to \$27,430 for the General Fund.

5. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the Village's deposits was \$2,041,776 and the bank balance was \$2,050,950. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,800,950 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. INCOME TAXES

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1.5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

7. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2013 represent the collection of 2012 taxes. Public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2011 were levied after October 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2013, was \$3.95 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2013 property tax receipts were based are as follows:

| | |
|---------------------------------|----------------------------|
| Real Property: | |
| Residential & Agriculture | \$27,560,440 |
| Commercial / Industrial | 6,828,880 |
| Public Utility Property: | <u>502,440</u> |
| Total Assessed Value | <u><u>\$34,891,760</u></u> |

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides medical insurance, life insurance, and dental coverage for all full time employees through a private carrier.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml> or by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2013 the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2013 was 14 percent. The portion of the Village's contribution allocated to health care for members in both the traditional and combined plans was 1 percent for 2013. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contribution for the years' pension obligation to the traditional pension and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$ \$29,107, \$26,431 and \$28,254; 100 percent has been contributed for the years ended December 31, 2013, 2012 and 2011.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute From January 1, 2013, through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent for police officers. Contributions are authorized by State statute.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The Village's required contributions for pension obligations to OP&F for police officers for the years ended December 31, 2013, 2012, and 2011 were \$17,693, \$15,407 and \$15,279; 100 percent has been contributed for the years ended December 31, 2013, 2012 and 2011.

10. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 1 percent for 2013.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

The Village's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2013, 2012, and 2011, was \$57,102, \$32,890, and \$135,564, respectively. The full amount has been contributed for the years ended December 31, 2013, 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent of covered payroll for police. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, through May 31, 2013, the employer contribution allocated to the health care plan 4.69 percent of covered payroll. For June 1, 2013, through December 31, 2013, the employer contribution allocated to the health care plan 2.85 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h)

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police for the years ended December 31, 2013, 2012 and 2011 were \$3,421, \$5,333 and \$5,289 respectively. The full amount has been contributed for the years ended December 31, 2013, 2012 and 2011.

11. DEBT

The Village's long-term debt activity for the year ended December 31, 2013, was as follows:

| | Balance 12/31/2012 | Reductions | Balance 12/31/2013 | Balance Due Within One Year |
|----------------------------------|-------------------------------|------------------------|-------------------------------|--|
| Ohio Public Works - Monterey Dr. | \$72,511 | \$4,532 | \$67,979 | \$4,532 |
| Industrial Park | 18,899 | 18,899 | | |
| Ohio Water Development Loan | 21,113 | 6,525 | 14,588 | 7,024 |
| Total Governmental Activities | <u>112,523</u> | <u>29,956</u> | <u>82,567</u> | <u>11,556</u> |
| Sanitary Sewer Improvement | 185,000 | 25,000 | 160,000 | 30,000 |
| Ohio Public Works - WTP | 475,000 | 25,000 | 450,000 | 25,000 |
| Total Business Type Activities | <u>660,000</u> | <u>50,000</u> | <u>610,000</u> | <u>55,000</u> |
| Total Long-Term Obligations | <u><u>\$772,523</u></u> | <u><u>\$79,956</u></u> | <u><u>\$692,567</u></u> | <u><u>\$66,556</u></u> |

Ohio Public Works (OPWC) Loan was used for construction on Monterey Drive. The debt will be repaid in semi-annual payments of \$2,266 at 0% interest, final payment due July 2028.

The Industrial Park Loan was to purchase additional acreage for the expansion of the Village's Industrial Park. Payments are made monthly in the amount of \$9,514, interest rate 5.27 %. Final payment was due March 2013.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

11. DEBT (Continued)

The Ohio Water Development Authority (OWDA) Loan was issued in 1991 for \$89,496 for the Fort Loramie Industrial Park to develop roadways and all necessary utilities to service the area. The debt will be repaid in semi-annual principal and interest payments of \$3,929 at 7.66% interest, final payment due July 2015.

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 at 5.4% interest, final payment due December 2018.

The Water Treatment Plant loan through the Ohio Public Works Commission (OPWC) was issued in 2012 for \$500,000. The loan will be repaid at 0% interest for 20 years in semi-annual installments of \$12,500.

The following is a summary of the Village's future annual debt service requirements:

| Year | Ohio Public Works Commission | Ohio Water Development Loan | | Sanitary Sewer Improvement | | OPWC Water Treatment Plant |
|-----------|------------------------------|-----------------------------|----------------|----------------------------|-----------------|----------------------------|
| | Principal | Principal | Interest | Principal | Interest | Principal |
| 2014 | \$4,532 | \$7,024 | \$1,117 | \$30,000 | \$8,640 | \$25,000 |
| 2015 | 4,532 | 7,564 | 578 | 30,000 | 7,020 | 25,000 |
| 2016 | 4,532 | | | 30,000 | 5,400 | 25,000 |
| 2017 | 4,532 | | | 35,000 | 3,780 | 25,000 |
| 2018 | 4,532 | | | 35,000 | 1,890 | 25,000 |
| 2019-2023 | 22,660 | | | | | 125,000 |
| 2024-2028 | 22,659 | | | | | 125,000 |
| 2029-2033 | | | | | | 75,000 |
| | <u>\$67,979</u> | <u>\$14,588</u> | <u>\$1,695</u> | <u>\$160,000</u> | <u>\$26,730</u> | <u>\$450,000</u> |

12. SUBSEQUENT EVENTS

The Village is looking at various street projects in the future. One major project would be the reconstruction of South Main St. (SR 66). The finance committee has started retaining funds for the reconstruction in 2013. Other projects are the replacement of waterlines along Elm Street and the I/I removal project.

13. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

13. FUND BALANCES (Continued)

| <u>Fund Balances</u> | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|------------------------|---------------------|---|--------------|
| Restricted for: | | | |
| Road Improvements | | \$108,871 | \$108,871 |
| Total Restricted | | 108,871 | 108,871 |
| Assigned to | | | |
| Other Purposes | \$1,574,940 | | 1,574,940 |
| Total Assigned | 1,574,940 | | 1,574,940 |
| Unassigned: | | | |
| | 8,270 | | 8,270 |
| Total Fund Balances | \$1,583,210 | \$108,871 | \$1,692,081 |



Dave Yost • Auditor of State

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 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 cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fort Loramie, Shelby County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 14, 2016, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

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 opinion 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 2014-001 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 14, 2016

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 733.28 requires a fiscal officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Governmental Accounting Standards Board (GASB) Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions established criteria for reporting governmental fund balances on constraints placed upon the use of resources reported in the governmental funds. The five classifications are non-spendable, restricted, committed, assigned, and unassigned.

The Village did not properly classify receipt and disbursement transactions. The following errors were noted on the Village's annual reports:

- In 2014 and 2013, there were timing issues regarding the posting of utility receipts. Several 2013 receipts were posted in 2014, and several 2014 receipts were posted in 2015. The impact on the fund balance for each fund was as follows: Water Operating fund decreased \$2,238 and increased \$7,585 in 2014 and 2013, respectively; Sewer Operating fund decreased \$11,145 and increased \$27,449 in 2014 and 2013, respectively; Solid Waste fund decreased \$277 and increased \$1,097 in 2014 and 2013, respectively; Water Treatment Plant Fund decreased \$2,565 and increased \$4,410 in 2014 and 2013, respectively; and Sewage Retainage Fund increased \$2,641 in 2014.
- In 2013, local government funds were incorrectly posted to the State Highway Fund in the amount of \$2,270 and should have been reported in the General fund.
- In 2014 and 2013, the budgetary statements for the General Fund were adjusted to properly reflect original and final appropriations. For 2014, original appropriations for general government expenditures were understated by \$2,001,683. Final appropriations for general government expenditures were understated by \$1,965,025. In 2013, the original appropriations for the general government expenditures were understated by \$1,530,054 and final appropriations for general government expenditures were understated by \$1,452,826.
- In 2014 and 2013, program revenues for the business type activities were not correctly reported. Program revenue was understated by \$62,219 and general revenues were overstated by \$75,803 in 2014 and in 2013, program revenues were understated by \$120,369 and general revenues were overstated by \$79,828.

The following errors were noted as a result of the Village not properly implementing GASB Statement No. 54:

- In 2014 and 2013, the outstanding encumbrances in the General Fund were not properly classified as assigned fund balance in accordance with the requirements of GASB 54. This resulted in an adjustment of \$81,231 in 2014 and \$27,429 in 2013 to the unassigned fund balance of the General fund.
- In 2013, a portion of the General Fund balance was incorrectly classified as unassigned fund balance. A portion of the fund balance was reclassified from unassigned to assigned fund balance in the amount of \$1,547,511 to properly reflect 2014 appropriations made that exceeded 2014 estimated receipts per GASB 54 guidance. In 2014, a portion of the General Fund balance was incorrectly classified as unassigned. A reclassification from unassigned to assigned fund balance in the amount of \$1,997,592 was made to properly reflect 2015 appropriations that exceeded 2015 estimated receipts per GASB 54 guidance.

**FINDING NUMBER 2014-001
(Continued)**

- In 2014 and 2013, the fund balance of \$12,000 for each year in the Special Estate Fund was incorrectly classified as committed instead of being reported as restricted in accordance with guidance per GASB 54

The adjustments noted above are reflected on the accompanying financial statements and have been posted to the Village accounting records. Other less significant adjustments were also noted which were not adjusted on the accompanying financial statements.

The failure to correctly record receipts and disbursements and to correctly classify fund balances may not only impact the users' understanding of the financial operations, it may also inhibit the Village Council's and management's ability to make sound financial decisions, may impact the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements.

The 2014 and 2013 annual reports required numerous audit adjustments and reclassification for proper presentation. The Village fiscal officer should review the Village Officer's Handbook for proper posting and use due care in preparation of the annual report. The Village fiscal officer should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Village's chart of accounts. The Village Fiscal Officer should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so may result in incorrect classification of funds and may result in inaccurate financial statements.

Official's Response:

In 2013, our fiscal officer abruptly left the Village leaving our administrator and now current fiscal officer trying to figure out how to maintain the books properly, and since then has been an ongoing process to try and learn how to properly execute all aspects of the accounts.

In regards to the timing issues of the posting of utility receipts, we have since discontinued two checking accounts and now enter our utility payment into UAN daily.

In regards to the posting in the wrong funds, the current fiscal officer is keeping track of making sure that all funds are posted in the right accounts.

In regards to GASB 54, the current fiscal officer and administrator has familiarized themselves with GASB 54 so that going forward, all accounts, revenues, appropriations will be properly allocated.



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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
APRIL 21, 2016