



**Auditor of State  
Betty Montgomery**



VILLAGE OF LAURA  
MIAMI COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Laura  
Miami County  
P.O. Box 202  
108 South Main Street  
Laura, Ohio 45337

To the Village Council:

We have audited the accompanying financial statements of the Village of Laura, Miami County, (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fifth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions, for the year 2003, were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Because of the inadequacy of Village accounting records, we were unable to obtain sufficient documentation to support amounts recorded as charges for services in the Enterprise Fund Type for the years ended 2003 and 2002 (stated at \$143,681 and \$151,474, respectively); and amounts recorded as other non-operating receipts in the Agency Fund Type (stated at \$5,462) in the year 2002. Village records did not permit us to extend our auditing procedures sufficiently to satisfy ourselves regarding the validity of the receipts through other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the validity of the charges for services in the Enterprise Funds and other non operating receipts in the Agency Funds, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 20, 2004

**VILLAGE OF LAURA  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$15,652				\$15,652
Special Assessments		\$5,762			5,762
Intergovernmental Receipts	29,862	22,290	\$313,719		365,871
Fines, Licenses, and Permits	1,813	225			2,038
Earnings on Investments	33				33
Miscellaneous	167				167
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,527	28,277	313,719		389,523
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	3,118	5,465			8,583
Leisure Time Activities	4,362				4,362
Basic Utility Services	2,774				2,774
Transportation		18,203			18,203
General Government	24,495	279			24,774
Capital Outlay			406,596		406,596
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	34,749	23,947	406,596		465,292
Total Receipts Over/(Under) Disbursements	12,778	4,330	(92,877)		(75,769)
<b>Other Financing Receipts and (Disbursements):</b>					
Loan Proceeds			92,877		92,877
Advances-Out	(5,000)				(5,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(5,000)		92,877		87,877
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,778	4,330			12,108
Fund Cash Balances, January 1	23,530	100,697	323	185	124,735
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$31,308</u></b>	<b><u>\$105,027</u></b>	<b><u>\$323</u></b>	<b><u>\$185</u></b>	<b><u>\$136,843</u></b>

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

**VILLAGE OF LAURA  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$143,681
Total Operating Cash Receipts	143,681
<b>Operating Cash Disbursements:</b>	
Personal Services	18,006
Fringe Benefits	5,050
Contractual Services	23,486
Supplies and Materials	7,884
Other	6,266
Total Operating Cash Disbursements	60,692
Operating Income/(Loss)	82,989
<b>Non-Operating Cash Disbursements:</b>	
Debt Service - Principal	25,119
Debt Service - Interest	37,214
Total Non-Operating Cash Disbursements	62,333
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	20,656
Advances-In	5,000
Net Receipts Over/(Under) Disbursements	25,656
Fund Cash Balances, January 1	48,574
<b>Fund Cash Balances, December 31</b>	<b>\$74,230</b>
Reserve for Encumbrances, December 31	\$1,379

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



**VILLAGE OF LAURA  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$16,313				\$16,313
Special Assessments		\$5,791			5,791
Intergovernmental Receipts	32,369	34,895			67,264
Fines, Licenses, and Permits	7,979				7,979
Earnings on Investments	1,403				1,403
Miscellaneous	5,014	408			5,422
<b>Total Cash Receipts</b>	<b>63,078</b>	<b>41,094</b>			<b>104,172</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	6,838	19,441			26,279
Community Environment				\$111	111
Basic Utility Services	3,891				3,891
Transportation		32,645			32,645
General Government	48,520				48,520
<b>Total Cash Disbursements</b>	<b>59,249</b>	<b>52,086</b>		<b>111</b>	<b>111,446</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>3,829</b>	<b>(10,992)</b>		<b>(111)</b>	<b>(7,274)</b>
Fund Cash Balances, January 1	19,701	111,689	\$323	296	132,009
<b>Fund Cash Balances, December 31</b>	<b>\$23,530</b>	<b>\$100,697</b>	<b>\$323</b>	<b>\$185</b>	<b>\$124,735</b>

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

**VILLAGE OF LAURA  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$151,474		\$151,474
Miscellaneous		\$406	406
Total Operating Cash Receipts	151,474	406	151,880
<b>Operating Cash Disbursements:</b>			
Personal Services	15,775		15,775
Fringe Benefits	2,769		2,769
Contractual Services	29,408		29,408
Supplies and Materials	19,580		19,580
Other	1,183	1,530	2,713
Total Operating Cash Disbursements	68,715	1,530	70,245
Operating Income/(Loss)	82,759	(1,124)	81,635
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		5,462	5,462
Total Non-Operating Cash Receipts		5,462	5,462
<b>Non-Operating Cash Disbursements:</b>			
Debt Service - Principal	23,352		23,352
Debt Service - Interest	40,264		40,264
Other Non-Operating Cash Disbursements		5,629	5,629
Total Non-Operating Cash Disbursements	63,616	5,629	69,245
Excess of Receipts Over/(Under) Disbursements	19,143	(1,291)	17,852
Fund Cash Balances, January 1	29,431	1,291	30,722
<b>Fund Cash Balances, December 31</b>	<b><u>\$48,574</u></b>	<b><u>\$0</u></b>	<b><u>\$48,574</u></b>

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

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Laura, Miami County, (the Village), is a body corporate and politic 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 publicly-elected six-member Council. The Village provides water and sewer utilities and park operations. The Miami County Sheriff's department provides security of persons and property, and the Laura Volunteer Fire Department provides fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**Street Construction, Maintenance and Repair Fund** - This fund receives gasoline and motor vehicle taxes for use in constructing, maintaining and repairing Village streets.

**State Highway Fund** - This fund receives seven and one-half percent of the gasoline and motor vehicle taxes received for use in constructing, maintaining and repairing the state highways within the Village.

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

VILLAGE OF LAURA  
MIAMI COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

**Ohio Public Works Commission Fund (OPWC)** – This fund received money from the OPWC to repair and reconstruct Main Street.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Sewer Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Sewer Replacement Fund** – This fund receives revenue from the Sewer Fund for repair and replacement of sewer system components.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

**Don E. Carroll (Expendable Trust Fund)** – This fund receives donations for the purpose of erecting and maintaining a Veterans Memorial in the Village.

**Mayor's Court Fund (Agency Fund)** - This fund records the financial activity of the Village Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<b>2003</b>	<b>2002</b>
Demand deposits	\$211,073	\$173,309

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

<b>2003 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$48,598	\$47,527	(\$1,071)
Special Revenue	74,920	28,277	(46,643)
Capital Projects	0	406,596	406,596
Enterprise	148,502	143,681	(4,821)
Expendable Trust	185		(185)
Total	\$272,205	\$626,081	\$353,876

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$73,068	\$34,749	\$38,319
Special Revenue	167,226	23,947	143,279
Capital Projects	0	406,596	(406,596)
Enterprise	196,759	124,404	72,355
Total	<u>\$437,053</u>	<u>\$589,696</u>	<u>(\$152,643)</u>

**2002 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$62,616	\$63,078	\$462
Special Revenue	23,626	41,094	17,468
Capital Projects	300,000		(300,000)
Enterprise	138,792	151,474	12,682
Total	<u>\$525,034</u>	<u>\$255,646</u>	<u>(\$269,388)</u>

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$87,813	\$59,249	\$28,564
Special Revenue	83,603	52,086	31,517
Capital Projects	300,000		300,000
Enterprise	179,213	132,331	46,882
Expendable Trust	296	111	185
Total	<u>\$650,925</u>	<u>\$243,777</u>	<u>\$407,148</u>

Prior certification was not obtained, in all instances, for the expenditure of Village funds. A fund was not established, as required by ORC 5705.09, for a grant and promissory note that was spent on behalf of the Village by the Ohio Public Works Commission. Also, the amount spent on the Village's behalf by the Ohio Public Works Commission during the year 2003, was not included in the amended certificate as capital project funds, nor was it appropriated, which is required by ORC 5705.36 and ORC 5705.41(B), respectively.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX (Continued)**

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority Loan #1	\$14,734	7.86%
Ohio Water Development Authority Loan #2	472,473	7.50%
Ohio Public Works Commission Loan	92,877	0%
Total	<b>\$580,084</b>	

The Ohio Water Development Authority (OWDA) loans were obtained for a water and sewer plant expansion project. The loans will be repaid in semiannual installments of \$31,808. The Ohio Public Works Commission (OPWC) loan was obtained for a street reconstruction project.

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

<b>Year Ended December 31</b>	<b>OWDA Water Improvement Loan #1</b>	<b>OWDA Sewer Improvement Loan #2</b>	<b>OPWC Street Loan</b>	<b>Total</b>
2004	\$3,371	\$28,437	\$2,322	\$34,130
2005	6,742	56,873	4,644	68,259
2006	6,742	56,873	4,644	68,259
2007		56,873	4,644	61,517
2008		56,873	4,644	61,517
2009-2013		284,365	23,219	307,584
2014-2018		227,492	23,219	250,711
2019-2023			23,219	23,219
2019-2023			2,322	2,322
Total	<b>\$16,855</b>	<b>\$767,786</b>	<b>\$92,877</b>	<b>\$877,518</b>

**6. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5 percent of their wages, and the Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF LAURA  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Laura  
Miami County  
P. O. Box 202  
108 South Main Street  
Laura, Ohio 45337

To the Village Council:

We have audited the financial statements of the Village of Laura, Miami County, (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated September 20, 2004, in which we were unable to support amounts recorded as charges for services in the Enterprise Fund Type and other non-operating receipts in the Agency Fund Type. We also noted that the Village's financial transactions for the year 2003 were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village, because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 through 2003-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 20, 2004.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-008 and 2003-009.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above as items 2003-008 and 2003-009 to be a material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 20, 2004.

This report is intended for the information and use of the management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

September 20, 2004

VILLAGE OF LAURA  
MIAMI COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER - 2003-001

**Retirement Systems**

**Ohio Rev. Code Section 145.03** states that membership in the public employees retirement system is compulsory upon being employed and 26 United States Code 312(b)(7)(f), states that after July 1, 1991, employees who are not members of retirement systems of employers shall be required to pay into social security.

There was no evidence of membership in the public employees' retirement system or the social security system for the members of Council or the Board of Public Affairs, nor were deductions made from their wages and an employer share remitted. The failure to enroll an employee/official in a retirement system could result in future liabilities against the Village.

Elected officials must participate in one of the systems and may elect to participate in either the public employees' retirement or the social security system. Procedures should be established that upon employment employees and/or officials have elected a retirement system. Once enrolled the proper amounts should be withheld and remitted, including the employer's portion.

FINDING NUMBER - 2003-002

**Destruction of Records**

**Ohio Rev. Code Sec 149.351** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law.

- Twenty percent of the utility payments tested did not have the billing stubs available;
- The Mayor's Court disbanded as of the end of June 2002, and the court docket, various financial reports, and the remaining unused tickets were not retained for audit;

The lack of retaining required utility records could result in loss of revenue if evidence of account activity cannot be verified, or the possible diversion of funds to personal use without detection. The absence of financial records could result in the inaccurate reconciliation of records, the inability to determine if revenue is accurate if sufficient records are not available to support the amounts reported, and increased audit costs.

A policy should be adopted establishing procedures for the retention of records generated and the manner in which they are to be maintained. Records may be destroyed only after a request for destruction has been submitted to the Records Commission in accordance with Ohio Rev. Code Section 149.39. The list of records to be destroyed must also be submitted to the Auditor of State for approval, and the Ohio Historical Society must be informed and given the opportunity for a period of sixty days to select for its custody any records it considers to be of continuing historical significance.

### **FINDING NUMBER - 2003-003**

#### **Mayor's Court Records**

**Ohio Rev. Code Sections 1905.21 and 733.40** require that the mayor of a mayor's court shall keep a docket. The mayor shall account for and dispose of all such fines, forfeitures, fees, and costs collected. All moneys collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury was given at the first regular meeting of the legislative authority each month.

There was no court docket available for review, nor were monthly statements prepared and submitted to Council for February through June of 2002 when the Mayor's Court was disbanded. By not providing this information, collections of the Mayor's Court could be incomplete or not properly recorded, and funds could be diverted and go undetected.

If the mayor's court is reestablished in the future, a docket should be maintained in order to provide evidence of all court cases heard and their disposition. Tickets issued should also be retained to support the docket and cash journal. The required monthly report should be submitted to Council at the first regular meeting each month.

### **FINDING NUMBER - 2003-004**

#### **Fund Establishment**

**Ohio Rev. Code Section 5705.09** states that a special fund is required to be established for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

A capital project fund had not been established for the amount spent on the Village's behalf by the Ohio Public Works Commission in the form of a grant in the amount of \$313,719 and a loan of \$92,877. By not establishing a fund and reporting this activity, the financial statements are understated by the amount of benefit received. These amounts have been adjusted into the financial statement presentation.

Procedures should be implemented to properly identify anticipated revenues and expenditures that may be spent on the Village's behalf, although not physically received or expended, for proper inclusion in the financial activity. The Village should review the guidance on accounting and budgeting for these grants in Auditor of State Bulletin 2002-04.

### **FINDING NUMBER - 2003-005**

#### **Amended Certificates**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Revenue expended on behalf of the Village, for the Main Street project in the amount of \$406,596, by the Ohio Public Works Commission was not included in the amended certificate in the year 2003.

Revenue from all sources from which the Village expects benefit should be included in the amended certificates even if the revenue is not physically received. This amount has been adjusted into the budgetary presentation in Note 3.

### FINDING NUMBER – 2003-006

#### Appropriations

**Ohio Rev. Code Section 5705.41(B)**, states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Revenue expended on behalf of the Village for the Main Street project, in the amount of \$406,596, by the Ohio Public Works Commission was not included in the appropriations for the year 2003; therefore, reported expenditures were in excess of appropriations by \$406,596. This amount has been adjusted into the budgetary presentation in Note 3.

Procedures should be implemented to properly identify anticipated revenues and expenditures that may be spent on the Village's behalf, although not physically received or expended, for proper inclusion in the appropriation budgeting process.

### FINDING NUMBER - 2003-007

#### Certification of Expenditures

**Ohio Rev. Code Sec. 5705.41(D)**, provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides that if no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment (then and now). After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, (\$3,000 after April 7, 2003) the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

Further, this section indicates that fiscal officers may prepare so-called "blanket" certificates against any specific line item appropriation account, that does not exceed the amount appropriated, and cannot extend beyond the current fiscal year-end. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Prior certification was not obtained for the expenditure of Village funds for 48 percent of the transactions (invoice dated prior to issuance of the purchase order) during the audit period. In addition, there was no evidence of certification that funds were available at the time of making the obligation and at the time of payment (then and now), nor the subsequent approval within thirty days from the Village Council for all amounts over one thousand dollars (\$3,000 after April 7, 2003). In addition, numerous appropriation line item accounts had more than one "blanket" purchase order open at the same time. The review also indicated that "super" blanket purchase orders were being used for items not deemed routine or predictable.

**FINDING NUMBER - 2003-007  
(Continued)**

The lack of proper certifications could result in the Village obligating funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations. Also, a system of encumbering should be placed in operation to allow the fiscal officer to track the amount of outstanding encumbrances and available unencumbered balances, thus allowing for accurate certifications.

The fiscal officer's certificate should be initiated prior to the obligation being incurred. In addition, only one "blanket" purchase order should be outstanding against any appropriation line item account. Super blankets should be properly issued for routine and predictable expenses. The Village should establish procedures for obtaining certification prior to incurring an obligation, and/or for subsequent certification and approval as provided by the exception noted above.

**FINDING NUMBER - 2003-008**

**Utility Department Records and Reconciliations**

Records were not maintained such as all billing stubs that could be compared to the utility spreadsheet and deposits. The date paid was not on the utility customer spreadsheets, nor was the date paid consistently marked on the stub. A significant number of the stubs did not show the client name or the check number in order to be able to verify the amount received per the stub with the spreadsheet and the deposit ticket. There were no records maintained on delinquencies that provided an accurate amount.

In addition, accurate records were not maintained on the balances of various individual utility accounts. There were variances noted between recalculated ending balances and the balances recorded on the spreadsheet. Also, reconciliations are not performed between the spreadsheet, utility collections and the deposits; nor, are the monthly collections reconciled with the Village receipts ledger utility accounts.

The absence of required records and not properly documenting payment information results in the inability to determine the accuracy of the amounts billed and collected. The failure to keep an accurate record of each customer's account balance could result in charging an inappropriate amount or an inability to follow up on overdue amounts. The lack of monthly reconciliations of the spreadsheet with the amounts collected and deposited could result in the failure to detect inaccurate recording of receipts and possible diversion of collections to personal use.

All utility records should be retained, and the name, check number, and date paid should be evident on the billing stub and the utility customer spreadsheet, and either the check number and/or the customer name should be indicated on the deposit slip to ensure the records can be reconciled. The customer billing stubs, amount collected and deposited, should be reconciled with the spreadsheet on a monthly basis. This reconciliation would confirm that what was collected and deposited was also accurately recorded on the spreadsheet, which should provide some assurance that customer balances are accurate and up to date. A reconciliation should also be performed between the utility collections and the Village receipt ledger utility accounts. In addition, a periodic review of delinquent accounts should be performed and, if necessary, certified to the County Auditor for collection as allowed by the Ohio Revised Code.

**FINDING NUMBER - 2003-009**

**Monitoring Utility Department Activities – Segregation of Duties**

The Village Clerk-Treasurer performs the following duties for the Utility Department:

1. Calculates the billings
2. Collects over-the-counter monies
3. Inputs computer data
4. Deposits revenue with the bank
5. Reconciles deposits with receipt records

This lack of segregation of duties allows for the possibility of manipulation of records or diversion of public funds to private use, which could go undetected during the normal course of business operations.

Because the size of Village operations does not allow for an adequate segregation of duties, it is important that the Board of Public Affairs (BPA) monitor financial activity closely. While Council relied on the BPA to monitor the utility financial activity, the BPA was not receiving the proper financial information to perform proper monitoring procedures. At least monthly, the Clerk-Treasurer should provide the BPA with a detailed customer list of overdue accounts, customer billings, amounts received, and a reconciliation between utility department records, deposits and the Village's revenue journal.

The BPA should carefully review the delinquent accounts, customer billings, and utility collection information each month and make appropriate inquiries to determine the integrity of utility billing and collection information. When performing such reviews, the officials' signatures or initials and the date should be affixed to the records examined, which should be retained to document such reviews. In addition, the records examined and the conclusions reached should be recorded in the BPA minutes each month and reported to Council.

**VILLAGE OF LAURA  
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-001	Finding for Recovery Lisa Terrill, Payroll Overpayment	No	Forwarded to Village Solicitor
2001-002	Finding for Recovery Terry Strawser, Payroll Overpayment	No	Forwarded to Village Solicitor
2001-003	Finding for Recovery Steven Terrill, Payroll Overpayment	Yes	Repaid in May 2002
2001-004	ORC 5705.41(D) – Prior Certification	No	Repeated as 2003-007
2001-005	ORC 5705.34 – Certification of Tax Levies	Yes	
2001-006	ORC 5705.36 – Certify Amounts from All Sources Available	No	Repeated as 2003-005
2001-007	ORC 5705.38 - Approval of Permanent Appropriations	Partially	Appropriations Were Passed but not Timely - Repeated in Management Letter
2001-008	ORC 5705.41(B) – Expenditures Limited by Appropriations	No	Repeated as 2003-006
2001-009	ORC 117.38 – Filing of Annual Report	Partially	2003 Report Filed; Repeated in Management Letter
2001-010	ORC 5705.10 – Negative Fund Balance	Corrected	
2001-011	CFDA#16.710 COPS Grant Proper Use of Funds	Corrected	
2001-012	Monitoring of Financial Activity	Partially	Corrected latter part of 2003 – Repeated in Management Letter
2001-013	Monitoring of Utility Activity	No	Repeated as 2003-008 and 009
2001-014	Deposit of Public Money	Partially	Repeated in Management Letter





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**VILLAGE OF LAURA**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 16, 2004**