



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), as of and for the years ended December 31, 2016 and 2015, 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, 2016 and 2015 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 report dated January 29, 2018, 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 29, 2018

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2016**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,543,654	\$406,750	\$2,950,404
Total Assets	<u>\$2,543,654</u>	<u>\$406,750</u>	<u>\$2,950,404</u>
Net Position:			
Restricted for:			
Capital Projects	\$119,491		\$119,491
Other Purposes	311,198		311,198
Unrestricted	2,112,965	406,750	2,519,715
Total Net Position	<u>\$2,543,654</u>	<u>\$406,750</u>	<u>\$2,950,404</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, 2016**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Current:				
Security of Persons and Property	\$270,941		\$2,100	
Public Health Services	6,552			
Leisure Time Activities	74,271			
Community Environment		\$1,575		
Basic Utility Services	57,370			
Transportation	54,186		82,568	\$5,671
General Government	243,253	2,331		
Capital Outlay	943,293			106,422
Debt Service:				
Principal Retirement	119,599			
Interest and Fiscal Charges	9,162			
Total Governmental Activities	<u>1,778,627</u>	<u>3,906</u>	<u>84,668</u>	<u>112,093</u>
Business Type Activities:				
Water Operating	105,209	104,541		
Sewer Operating	212,911	297,989		
Solid Waste Fund	13,884	12,621		
Water Treatment Plant Fund	25,000	27,596		
Sewage Retainage Fund	35,400			
Total Business Type Activities	<u>392,404</u>	<u>442,747</u>		
Total Primary Government	<u>\$2,171,031</u>	<u>\$446,653</u>	<u>\$84,668</u>	<u>\$112,093</u>

General Receipts:

Property Taxes
Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Sale of Capital Assets
Earnings on Investments
Miscellaneous
Total General Receipts
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
(\$268,841)		(\$268,841)
(6,552)		(6,552)
(74,271)		(74,271)
1,575		1,575
(57,370)		(57,370)
34,053		34,053
(240,922)		(240,922)
(836,871)		(836,871)
(119,599)		(119,599)
(9,162)		(9,162)
<u>(1,577,960)</u>		<u>(1,577,960)</u>
	(\$668)	(668)
	85,078	85,078
	(1,263)	(1,263)
	2,596	2,596
	<u>(35,400)</u>	<u>(35,400)</u>
	<u>50,343</u>	<u>50,343</u>
<u>(1,577,960)</u>	<u>50,343</u>	<u>(1,527,617)</u>
126,269		126,269
1,297,054		1,297,054
55,630		55,630
46,906		46,906
6,611		6,611
24,093		24,093
<u>1,556,563</u>	<u>0</u>	<u>1,556,563</u>
(21,397)	50,343	28,946
<u>2,565,051</u>	<u>356,407</u>	<u>2,921,458</u>
<u>\$2,543,654</u>	<u>406,750</u>	<u>\$2,950,404</u>

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Other Governmental	Total Governmental
Assets:			
Equity in Pooled Cash and Cash Equivalents	2,112,965	430,689	2,543,654
Total Assets	<u>\$2,112,965</u>	<u>\$430,689</u>	<u>\$2,543,654</u>
 Fund Cash Balances, December 31:			
Restricted		430,689	430,689
Assigned	2,112,965		2,112,965
Fund Cash Balances, December 31	<u>\$2,112,965</u>	<u>\$430,689</u>	<u>\$2,543,654</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, 2016**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Municipal Income Taxes	\$1,297,054		\$1,297,054
Property Taxes	126,269		126,269
Intergovernmental	55,444	\$188,989	244,433
Special Assessments	7,958		7,958
Charges for Services	150		150
Fines, Licenses and Permits	3,906		3,906
Earnings on Investments	6,611		6,611
Miscellaneous	23,943		23,943
Total Receipts	<u>1,521,335</u>	<u>188,989</u>	<u>1,710,324</u>
Disbursements:			
Current:			
Security of Persons and Property	270,941		270,941
Public Health Services	6,552		6,552
Leisure Time Activities	74,271		74,271
Basic Utility Services	57,370		57,370
Transportation	54,186		54,186
General Government	243,253		243,253
Capital Outlay	694,125	249,168	943,293
Debt Service:			
Principal Retirement	119,599		119,599
Interest and Fiscal Charges	9,162		9,162
Total Disbursements	<u>1,529,459</u>	<u>249,168</u>	<u>1,778,627</u>
Excess of Receipts (Under) Disbursements	<u>(8,124)</u>	<u>(60,179)</u>	<u>(68,303)</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	46,906		46,906
Transfers In		130,000	130,000
Transfers Out	(130,000)		(130,000)
Total Other Financing Sources (Uses)	<u>(83,094)</u>	<u>130,000</u>	<u>46,906</u>
Net Change in Fund Balances	(91,218)	69,821	(21,397)
Fund Balances Beginning of Year	2,204,183	360,868	2,565,051
Fund Balances End of Year	<u>\$2,112,965</u>	<u>\$430,689</u>	<u>\$2,543,654</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, 2016**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Municipal Income Taxes	\$1,200,000	\$1,200,000	\$1,297,054	\$97,054
Property Taxes	120,000	120,000	126,269	6,269
Intergovernmental	46,880	46,880	55,444	8,564
Special Assessments	20,000	20,000	7,958	(12,042)
Charges for Services	500	500	150	(350)
Fines, Licenses and Permits	850	850	3,906	3,056
Earnings on Investments	0	0	6,611	6,611
Miscellaneous	32,846	32,846	23,943	(8,903)
Total Receipts	<u>1,421,076</u>	<u>1,421,076</u>	<u>1,521,335</u>	<u>100,259</u>
Disbursements:				
Current:				
Security of Persons and Property	320,053	320,053	276,624	43,429
Public Health Services	7,600	7,600	6,552	1,048
Leisure Time Activities	108,934	108,934	74,730	34,204
Basic Utility Services	80,365	80,365	58,908	21,457
Transportation	86,050	86,050	56,232	29,818
General Government	321,026	321,926	244,863	77,063
Capital Outlay	2,435,130	2,434,230	715,406	1,718,824
Debt Service:				
Principal Retirement	120,720	120,720	119,599	1,121
Interest and Fiscal Charges	9,175	9,175	9,162	13
Total Disbursements	<u>3,489,053</u>	<u>3,489,053</u>	<u>1,562,076</u>	<u>1,926,977</u>
Excess of Receipts (Under) Disbursements	<u>(2,067,977)</u>	<u>(2,067,977)</u>	<u>(40,741)</u>	<u>2,027,236</u>
Other Financing (Uses):				
Sale of Capital Assets	0	0	46,906	46,906
Transfers Out	(133,000)	(133,000)	(130,000)	3,000
Total Other Financing (Uses)	<u>(133,000)</u>	<u>(133,000)</u>	<u>(83,094)</u>	<u>49,906</u>
Net Change in Fund Balance	<u>(2,200,977)</u>	<u>(2,200,977)</u>	<u>(123,835)</u>	<u>2,077,142</u>
Unencumbered Fund Balance Beginning of Year	2,153,099	2,153,099	2,153,099	0
Prior Year Encumbrances Appropriated	51,084	51,084	51,084	0
Unencumbered Balance End of Year	<u>\$3,206</u>	<u>\$3,206</u>	<u>\$2,080,348</u>	<u>\$2,077,142</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, 2016**

	Business Type Activities			Total Enterprise Funds
	Water Operating	Sewer Operating	Other Enterprise Funds	
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$82,300	\$245,041	\$79,409	\$406,750
Total Assets	82,300	245,041	79,409	406,750
Net Position:				
Unrestricted	82,300	245,041	79,409	406,750
Total Net Position	\$82,300	\$245,041	\$79,409	\$406,750

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, 2016**

	Business Type Activities			Total Enterprise Funds
	Water Operating	Sewer Operating	Other Enterprise Funds	
Operating Receipts:				
Charges for Services	\$104,541	\$297,989	\$40,217	\$442,747
Total Operating Receipts	<u>104,541</u>	<u>297,989</u>	<u>40,217</u>	<u>442,747</u>
Operating Disbursements:				
Personal Services	28,135	28,081		56,216
Employee Fringe Benefits	10,987	10,979		21,966
Contractual Services	38,491	171,091	13,884	223,466
Supplies and Materials	16,366	774		17,140
Other	431			431
Total Operating Disbursements	<u>94,410</u>	<u>210,925</u>	<u>13,884</u>	<u>319,219</u>
Operating Income	<u>10,131</u>	<u>87,064</u>	<u>26,333</u>	<u>123,528</u>
Non-Operating Disbursements:				
Capital Outlay	(10,799)	(1,986)		(12,785)
Principal Retirement			(55,000)	(55,000)
Interest and Other Fiscal Charges			(5,400)	(5,400)
Total Non-Operating Disbursements	<u>(10,799)</u>	<u>(1,986)</u>	<u>(60,400)</u>	<u>(73,185)</u>
Income (Loss) before Transfers	(668)	85,078	(34,067)	50,343
Transfers In			35,400	35,400
Transfers Out		(35,400)		(35,400)
Change in Net Position	<u>(668)</u>	<u>49,678</u>	<u>1,333</u>	<u>50,343</u>
Net Position Beginning of Year	<u>82,968</u>	<u>195,363</u>	<u>78,076</u>	<u>356,407</u>
Net Position End of Year	<u><u>\$82,300</u></u>	<u><u>\$245,041</u></u>	<u><u>\$79,409</u></u>	<u><u>\$406,750</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, 2016**

	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	\$104,541	\$297,989	\$40,217	\$442,747
Cash Payments to Employees for Services	(28,135)	(28,081)		(56,216)
Cash Payments for Employee Benefits	(10,987)	(10,979)		(21,966)
Cash Payments for Goods and Services	(54,857)	(171,865)	(13,884)	(240,606)
Other Cash Payments	(431)	0	0	(431)
Net Cash Provided by Operating Activities	<u>10,131</u>	<u>87,064</u>	<u>26,333</u>	<u>123,528</u>
Cash Flows from Noncapital Financing Activities				
Transfers In			35,400	35,400
Transfers Out		(35,400)		(35,400)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>0</u>	<u>(35,400)</u>	<u>35,400</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Principal Paid on Debt			(55,000)	(55,000)
Interest Paid on Debt			(5,400)	(5,400)
Payments for Capital Acquisitions	(10,799)	(1,986)		(12,785)
Net Cash Used in Capital and Related Financing Activities	<u>(10,799)</u>	<u>(1,986)</u>	<u>(60,400)</u>	<u>(73,185)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(668)	49,678	1,333	50,343
Cash and Cash Equivalents Beginning of Year	82,968	195,363	78,076	356,407
Cash and Cash Equivalents End of Year	<u>\$82,300</u>	<u>\$245,041</u>	<u>\$79,409</u>	<u>\$406,750</u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. REPORTING ENTITY

The Village of Fort Loramie, Shelby County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 and other organizations that are included to ensure the financial statements of the Village 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 primary government of the Village of Fort Loramie provides the following services to its citizens: police protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer and refuse collection.

B. Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 provides additional information about this entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, 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 in nature and those that are considered business-type activities. 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.

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 program or function of the Village's governmental activities 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.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order 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 funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and proprietary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The General fund was the Village's only major governmental fund in 2016. The following are the Village's major governmental funds:

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

2. Proprietary Funds

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

3. 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 following are the Village's major enterprise funds:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Operating Fund The water fund accounts for the provision of water treatment and distribution 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 Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council 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 Clerk. 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 were 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 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 Village Council during the year.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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. Inventory and Prepaid Items

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

G. 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.

H. 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.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. 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. Net position restricted for other purposes include resources restricted for road maintenance and improvements

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.

L. 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 the governmental funds. The classifications are as follows:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-spendable The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 fund balance 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 or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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.

3. 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 Changes 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 between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis).

The encumbrances outstanding at year end 2016 for the General Fund amounted to \$32,617.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

Active deposits 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.

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.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$3.95 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Agricultural	\$58,190
Residential	31,377,090
Commercial	3,039,990
Industrial	4,055,160
Public Utility Personal Property	584,470
Total	<u>\$39,114,900</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

B. Income Taxes

The Village levies a 1.5 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1.5 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

C. Tax Abatements

For 2016, Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures" was effective. This GASB pronouncement had no effect on beginning net position as reported December 31, 2015. The Village had the following tax abatements during 2016:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. TAXES (Continued)

Select Arc, Inc.
600 Enterprise Dr.
Fort Loramie, Ohio 45845
50% property Tax Abatement for 10 years, 2008 – 2018
33,500 Sq Ft Building Addition
Select arc committed to create 31 new full time job opportunities 3 year period and retain 84 full time positions. The gross dollar amount of taxes abated during 2016 was \$7,724.

Wayne Trail Technologies
407 South Main St.
Fort Loramie, Ohio 45845
50% property Tax Abatement for 10 years, 2007 – 2017
New Manufacturing Facility, 30,000 Sq Ft
Wayne Trail committed to create 6 new full time job positions over a 6 month period. The gross dollar amount of taxes abated during 2016 was \$8,546.

6. INTERFUND TRANSFERS

Transfers

During 2016, the following transfers were made:

	Transfer from		
	Major Funds		
Transfer to	General	Sewer Operating	Total
Other Governmental Funds	\$130,000		\$130,000
Other Enterprise Funds		\$35,400	\$35,400

The above mentioned Transfers From/To were to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the Sewer Operating fund was in compliance with Ohio Revised Code to make debt payments.

7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

7. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 members as of December 31, 2015.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015.

	2015
Assets	<u>\$14,643,667</u>
Liabilities	<u>(9,112,030)</u>
Members' Equity	<u>\$5,531,637</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

8. DEFINED BENEFIT PENSION PLANS

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Law Enforcement
2016 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	**
2016 Actual Contribution Rates		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

** This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$33,819 for year 2016.

B. Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$27,855 for 2016.

C. Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. 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 pension 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$4,907, \$4,475, and \$57,102 respectively. The full amount has been contributed for 2016, 2015 and 2014.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare 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 statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment 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 visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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 to contribute to the pension plan at rates expressed as percentage of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

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 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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions 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 for the years ended December 31, 2016, 2015, and 2014 were \$744, \$626, and \$4,579. The full amount has been contributed for 2016, 2015 and 2014.

10. DEBT

The changes in the Village's long-term debt during 2016 were as follows:

	Outstanding 12/31/2015	Additions	Deletions	Outstanding 12/31/2016	Due in One Year
Governmental Activities:					
Ohio Public Works Commission, Monterey Dr.	\$58,915		\$4,532	\$54,383	\$4,532
Minster Bank – Elm, W. Main & Water	580,827		116,200	464,627	118,246
Total Governmental Activities	<u>\$639,742</u>	<u>\$0</u>	<u>\$120,732</u>	<u>\$519,010</u>	<u>\$122,778</u>
Business Type Activities:					
Sanitary Sewer Improvement	\$100,000		\$30,000	\$70,000	\$35,000
Ohio Public Works Commission – WTP	412,500		25,000	387,500	25,000
Total Business Type Activities	<u>\$512,500</u>	<u>\$0</u>	<u>\$55,000</u>	<u>\$457,500</u>	<u>\$60,000</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 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 Ohio Public Works Commission was issued in 2012 for \$500,000; semi-annual payments of \$12,500 at 0% interest, final payment is due January 2032.

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

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

10. DEBT (Continued)

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

Year	OPWC-Monterey Dr.		Sanitary Sewer Improvement		OPWC-Water Plant		Minster Bank-Elm, W Main & Water	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$4,532		\$35,000	\$3,500	\$25,000		\$118,246	\$7,117
2018	4,532		35,000	1,400	25,000		120,312	5,051
2019	4,532				25,000		122,415	2,948
2020	4,532				25,000		103,654	828
2021	4,532				25,000			
2022-2026	22,660				125,000			
2027-2031	9,063				125,000			
2032					12,500			
Total	<u>\$54,383</u>		<u>\$70,000</u>	<u>\$4,900</u>	<u>\$387,500</u>		<u>\$464,627</u>	<u>\$15,944</u>

11. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Village will be reconstructing Main Street in 2017, which is a 4.5 million dollar project.

12 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:

Fund Balances	General Fund	Other Governmental Funds	Total
Restricted for:			
Capital Projects		\$119,491	\$119,491
Park Improvements		12,000	12,000
Road Maintenance and Improvements		299,198	299,198
Total Restricted		<u>430,689</u>	<u>430,689</u>
Assigned to			
Other Purposes	\$2,112,965		2,112,965
Total Assigned	<u>2,112,965</u>	<u>0</u>	<u>2,112,965</u>
Total Fund Balances	<u>\$2,112,965</u>	<u>\$430,689</u>	<u>\$2,543,654</u>

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**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2015**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,565,051	\$356,407	\$2,921,458
Total Assets	<u>2,565,051</u>	<u>356,407</u>	<u>2,921,458</u>
Net Position:			
Restricted for:			
Capital Projects	112,670		112,670
Other Purposes	248,198		248,198
Unrestricted	<u>2,204,183</u>	<u>356,407</u>	<u>2,560,590</u>
Total Net Position	<u>\$2,565,051</u>	<u>\$356,407</u>	<u>\$2,921,458</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, 2015**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Current:				
Security of Persons and Property	\$269,894		\$1,000	
Leisure Time Activities	74,402			
Community Environment		\$950		
Basic Utility Services	65,366			
Transportation	46,534		157,108	
General Government	318,076	2,520		
Capital Outlay	1,481,845			\$386,779
Debt Service:				
Principal Retirement	31,269			
Interest and Fiscal Charges	5,163			
Total Governmental Activities	<u>2,292,549</u>	<u>3,470</u>	<u>158,108</u>	<u>386,779</u>
Business Type Activities:				
Water Operating	104,707	98,972		
Sewer Operating	230,302	281,889		
Solid Waste Fund	13,886	12,352		
Water Treatment Plant Fund	25,000	27,215		
Sewage Retainage Fund	37,020	25,908		
Total Business Type Activities	<u>410,915</u>	<u>446,336</u>		
Total Primary Government	<u>\$2,703,464</u>	<u>\$449,806</u>	<u>\$158,108</u>	<u>\$386,779</u>

General Receipts:

Property Taxes
Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Sale of Notes
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
(\$268,894)		(\$268,894)
(74,402)		(74,402)
950		950
(65,366)		(65,366)
110,574		110,574
(315,556)		(315,556)
(1,095,066)		(1,095,066)
(31,269)		(31,269)
(5,163)		(5,163)
<u>(1,744,192)</u>		<u>(1,744,192)</u>
	(\$5,735)	(5,735)
	51,587	51,587
	(1,534)	(1,534)
	2,215	2,215
	<u>(11,112)</u>	<u>(11,112)</u>
	35,421	35,421
<u>(1,744,192)</u>	<u>35,421</u>	<u>(1,708,771)</u>
118,749		118,749
1,221,129		1,221,129
58,578		58,578
600,000		600,000
46,769		46,769
(3,000)	3,000	
<u>2,042,225</u>	<u>3,000</u>	<u>2,045,225</u>
298,033	38,421	336,454
2,267,018	317,986	2,585,004
<u>\$2,565,051</u>	<u>\$356,407</u>	<u>\$2,921,458</u>

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,204,183	\$112,670	\$248,198	\$2,565,051
Total Assets	<u>2,204,183</u>	<u>112,670</u>	<u>248,198</u>	<u>2,565,051</u>
 Fund Cash Balances, December 31:				
Restricted		112,670	248,198	360,868
Assigned	2,200,977			2,200,977
Unassigned	3,206			3,206
Fund Cash Balances, December 31	<u>\$2,204,183</u>	<u>\$112,670</u>	<u>\$248,198</u>	<u>\$2,565,051</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, 2015**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Municipal Income Taxes	\$1,221,129			\$1,221,129
Property Taxes	118,749			118,749
Intergovernmental	57,100	\$466,779	\$77,108	600,987
Special Assessments	2,478			2,478
Charges for Services	280			280
Fines, Licenses and Permits	3,470			3,470
Miscellaneous	46,489			46,489
Total Receipts	<u>1,449,695</u>	<u>466,779</u>	<u>77,108</u>	<u>1,993,582</u>
Disbursements:				
Current:				
Security of Persons and Property	269,894			269,894
Leisure Time Activities	74,402			74,402
Basic Utility Services	65,366			65,366
Transportation	46,534			46,534
General Government	318,076			318,076
Capital Outlay	380,614	1,089,109	12,122	1,481,845
Debt Service:				
Principal Retirement	31,269			31,269
Interest and Fiscal Charges	5,163			5,163
Total Disbursements	<u>1,191,318</u>	<u>1,089,109</u>	<u>12,122</u>	<u>2,292,549</u>
Excess of Receipts Over (Under) Disbursements	<u>258,377</u>	<u>(622,330)</u>	<u>64,986</u>	<u>(298,967)</u>
Other Financing Sources (Uses):				
Loan Proceeds		600,000		600,000
Transfers In		135,000		135,000
Transfers Out	(138,000)			(138,000)
Total Other Financing Sources (Uses)	<u>(138,000)</u>	<u>735,000</u>		<u>597,000</u>
Net Change in Fund Balances	120,377	112,670	64,986	298,033
Fund Balances Beginning of Year	2,083,806	0	183,212	2,267,018
Fund Balances End of Year	<u>\$2,204,183</u>	<u>\$112,670</u>	<u>\$248,198</u>	<u>\$2,565,051</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, 2015**

	<u>Budget Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Municipal Income Taxes	\$1,100,001	\$1,100,001	\$1,221,129	\$121,128
Property Taxes	143,116	143,116	118,749	(24,367)
Intergovernmental	53,780	53,780	57,100	3,320
Special Assessments			2,478	2,478
Charges for Services	500	500	280	(220)
Fines, Licenses and Permits	850	850	3,470	2,620
Miscellaneous	32,846	32,846	46,489	13,643
Total Receipts	<u>1,331,093</u>	<u>1,331,093</u>	<u>1,449,695</u>	<u>118,602</u>
Disbursements:				
Current:				
Security of Persons and Property	295,639	305,348	274,139	31,209
Public Health Services	7,600	7,600		7,600
Leisure Time Activities	96,735	96,735	74,978	21,757
Basic Utility Services	76,396	84,330	67,146	17,184
Transportation	85,083	85,083	46,609	38,474
General Government	361,924	377,318	320,122	57,196
Capital Outlay	2,254,911	2,221,874	422,976	1,798,898
Debt Service:				
Principal Retirement	72,705	72,705	31,269	41,436
Interest and Fiscal Charges	9,447	9,447	5,163	4,284
Total Disbursements	<u>3,260,440</u>	<u>3,260,440</u>	<u>1,242,402</u>	<u>2,018,038</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,929,347)</u>	<u>(1,929,347)</u>	<u>207,293</u>	<u>2,136,640</u>
Other Financing Uses:				
Transfers Out	<u>(138,000)</u>	<u>(138,000)</u>	<u>(138,000)</u>	
Total Other Financing Uses	<u>(138,000)</u>	<u>(138,000)</u>	<u>(138,000)</u>	
Net Change in Fund Balance	(2,067,347)	(2,067,347)	69,293	2,136,640
Unencumbered Fund Balance Beginning of Year	2,002,575	2,002,575	2,002,575	
Prior Year Encumbrances Appropriated	<u>81,231</u>	<u>81,231</u>	<u>81,231</u>	
Unencumbered Balance End of Year	<u>\$16,459</u>	<u>\$16,459</u>	<u>\$2,153,099</u>	<u>\$2,136,640</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, 2015**

	<u>Business Type Activities</u>			
	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Other Enterprise</u>	<u>Total Enterprise</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$82,968	\$195,363	\$78,076	\$356,407
Total Assets	<u>82,968</u>	<u>195,363</u>	<u>78,076</u>	<u>356,407</u>
Net Position:				
Unrestricted	82,968	195,363	78,076	356,407
Total Net Position	<u>\$82,968</u>	<u>\$195,363</u>	<u>\$78,076</u>	<u>\$356,407</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, 2015**

	Business Type Activities			Total Enterprise Funds
	Water Operating	Sewer Operating	Other Enterprise Funds	
Operating Receipts:				
Charges for Services	\$98,972	\$281,889	\$65,475	\$446,336
Total Operating Receipts	<u>98,972</u>	<u>281,889</u>	<u>65,475</u>	<u>446,336</u>
Operating Disbursements:				
Personal Services	27,967	27,868		55,835
Employee Fringe Benefits	12,006	12,006		24,012
Contractual Services	37,848	185,272	13,886	237,006
Supplies and Materials	20,709	3,268		23,977
Other	665			665
Total Operating Disbursements	<u>99,195</u>	<u>228,414</u>	<u>13,886</u>	<u>341,495</u>
Operating Income (Loss)	<u>(223)</u>	<u>53,475</u>	<u>51,589</u>	<u>104,841</u>
Non-Operating Disbursements:				
Capital Outlay	(5,512)	(1,888)		(7,400)
Principal Retirement			(55,000)	(55,000)
Interest and Other Fiscal Charges			(7,020)	(7,020)
Total Non-Operating Disbursements	<u>(5,512)</u>	<u>(1,888)</u>	<u>(62,020)</u>	<u>(69,420)</u>
Income (Loss) before Transfers	(5,735)	51,587	(10,431)	35,421
Transfers In			11,470	11,470
Transfers Out		(8,470)		(8,470)
Change in Net Position	<u>(5,735)</u>	<u>43,117</u>	<u>1,039</u>	<u>38,421</u>
Net Position Beginning of Year	<u>88,703</u>	<u>152,246</u>	<u>77,037</u>	<u>317,986</u>
Net Position End of Year	<u>\$82,968</u>	<u>\$195,363</u>	<u>\$78,076</u>	<u>\$356,407</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, 2015**

	<u>Business Type Activities</u>			
	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Other Enterprise</u>	<u>Total Enterprise</u>
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$98,972	\$281,889	\$65,475	\$446,336
Cash Payments to Employees for Services	(27,967)	(27,868)		(55,835)
Cash Payments for Employee Benefits	(12,006)	(12,006)		(24,012)
Cash Payments for Goods and Services	(58,557)	(188,540)	(13,886)	(260,983)
Other Cash Payments	(665)			(665)
Net Cash Provided by (Used in) Operating Activities	<u>(223)</u>	<u>53,475</u>	<u>51,589</u>	<u>104,841</u>
Cash Flows from Non-capital Financing Activities				
Transfers In			11,470	11,470
Transfers Out		(8,470)		(8,470)
Net Cash Provided by (Used in) Non-capital Financing		<u>(8,470)</u>	<u>11,470</u>	<u>3,000</u>
Cash Flows from Capital and Related Financing:				
Principal Paid on Debt			(55,000)	(55,000)
Interest Paid on Debt			(7,020)	(7,020)
Payments for Capital Acquisitions	(5,512)	(1,888)		(7,400)
Net Cash Used in Capital and Related Financing Activities	<u>(5,512)</u>	<u>(1,888)</u>	<u>(62,020)</u>	<u>(69,420)</u>
Net Increase (Decrease) in Cash and Cash	(5,735)	43,117	1,039	38,421
Cash and Cash Equivalents Beginning of Year	88,703	152,246	77,037	317,986
Cash and Cash Equivalents End of Year	<u>\$82,968</u>	<u>\$195,363</u>	<u>\$78,076</u>	<u>\$356,407</u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. REPORTING ENTITY

The Village of Fort Loramie, Shelby County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 and other organizations that are included to ensure the financial statements of the Village 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 primary government of the Village of Fort Loramie provides the following services to its citizens: police protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer and refuse collection.

B. Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 provides additional information about this entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, 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 in nature and those that are considered business-type activities. 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.

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 program or function of the Village's governmental activities 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.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order 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 funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and proprietary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The General fund was the Village's only major governmental fund in 2016.

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

Capital Projects - The capital projects fund accounts for and reports loan proceeds and OPWC grants restricted for capital improvements.

2. Proprietary Funds

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

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 following are the Village's major enterprise funds:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Operating Fund - The water fund accounts for the provision of water treatment and distribution 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 Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council 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 Clerk. 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 were 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 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 Village Council during the year.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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. Inventory and Prepaid Items

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

G. 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.

H. 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.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. 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. Net position restricted for other purposes include resources restricted for road maintenance and improvements

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.

L. 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 the governmental funds. The classifications are as follows:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 fund balance 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 or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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.

3. 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 Changes 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 between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balances (cash basis).

The encumbrances outstanding at year end 2015 for the General Fund amounted to \$51,084.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

Active deposits 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.

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.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$3.95 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Agricultural	\$58,190
Residential	30,806,680
Commercial	3,458,480
Industrial	4,055,160
Public Utility Personal Property	<u>540,520</u>
Total	<u><u>\$38,919,030</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

B. Income Taxes

The Village levies a 1.5 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1.5 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. INTERFUND TRANSFERS

Transfers

During 2015, the following transfers were made:

<u>Transfer to</u>	<u>Transfer from</u>		
	<u>Major Funds</u>		
	<u>General</u>	<u>Sewer Operating</u>	<u>Total</u>
Capital Projects Fund	135,000		\$135,000
Other Governmental Funds	\$3,000		\$3,000
Other Enterprise Funds		\$8,470	\$8,470

The above mentioned Transfers From/To were to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the Sewer Operating fund was in compliance with Ohio Revised Code to make debt payments.

7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

7. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

8. DEFINED BENEFIT PENSION PLANS

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

	State and Local	Law Enforcement
2015 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	**
2015 Actual Contribution Rates		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

** This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPERS was \$30,848 for 2015.

B. Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
2015 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2015 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
 Employee	 12.25 %

Employer contributions are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$23,463 for 2015.

C. Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

9 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 pension 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.

**VILLAGE OF FORT LORAMIE
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9 POST-EMPLOYMENT BENEFITS (Continued)

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

The Village's contributions allocated to fund postemployment health care benefits for the years ended December 31, 2015, 2014 and 2013 was \$4,475, \$57,102 and \$32,890. The full amount has been contributed for 2015, 2014 and 2013.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Plan 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 statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9 POST-EMPLOYMENT BENEFITS (Continued)

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 visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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 to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. 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 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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions 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 contributions to OPF for the years ended December 31, 2015, 2014 and 2013 were \$626, \$4,579 and \$3,421, respectively. The full amount has been contributed for all three years.

10. DEBT

The changes in the Village's long-term debt during 2015 were as follows:

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. DEBT (Continued)

	<u>Outstanding 12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 12/31/2015</u>	<u>Due in One Year</u>
Governmental Activities:					
Ohio Public Works Commission, Monterey Dr.	\$63,447		\$4,532	\$58,915	\$4,532
OWDA Loan	7,564		7,564		
Minster Bank-Elm, W. Main & Water		\$600,000	19,173	580,827	116,200
Total Governmental Activities	<u>\$71,011</u>	<u>\$600,000</u>	<u>\$31,269</u>	<u>\$639,742</u>	<u>\$120,732</u>
Business Type Activities:					
Sanitary Sewer Improvement	\$130,000		\$30,000	\$100,000	\$30,000
Ohio Public Works Commission – WTP	437,500		25,000	412,500	25,000
Total Business Type Activities	<u>\$567,500</u>	<u>\$0</u>	<u>\$55,000</u>	<u>\$512,500</u>	<u>\$55,000</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 2004 for \$62,452.43 for the Fort Loramie Industrial Park to develop roadways and all necessary utilities to service the area. The final payment was made in 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 Ohio Public Works Commission was issued in 2012 for \$500,000; semi-annual payments of \$12,500 at 0% interest, final payment is due January 2032.

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

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

<u>Year</u>	<u>OPWC-Monterey Dr.</u>		<u>Sanitary Sewer Improvement</u>		<u>OPWC-Water Plant</u>		<u>Minster Bank-Elm, W Main & Water</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$4,532		\$30,000	\$5,400	\$25,000		\$116,200	\$9,175
2017	4,532		35,000	3,500	25,000		118,246	7,117
2018	4,532		35,000	1,400	25,000		120,312	5,051
2019	4,532				25,000		122,415	2,948
2020	4,532				25,000		103,654	828
2021-2025	22,660				125,000			
2026-2030	13,595				125,000			
2031-2032					37,500			
Total	<u>\$58,915</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$10,300</u>	<u>\$412,500</u>	<u>\$0</u>	<u>\$580,827</u>	<u>\$25,119</u>

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. 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:

Fund Balances	General Fund	Capital Projects	Other Governmental Funds	Total
Restricted for:				
Road Maintenance and Improvements			\$236,198	\$236,198
Park Improvement			12,000	12,000
Capital Projects		\$112,670		112,670
Total Restricted	0	112,670	248,198	360,868
Assigned to:				
Other Purposes	\$2,200,977			2,200,977
Total Assigned	2,200,977			2,200,977
Unassigned	3,206			3,206
Total Fund Balances	\$2,204,183	\$112,670	\$248,198	\$2,565,051

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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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon January 29, 2018, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 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 2016-001.

Village's Response to Findings

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 29, 2018

**VILLAGE OF FORT LORAMIE
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance / Material Weakness

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

Ohio Rev. Code § 5735.28 states that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

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

The following misstatements occurred on the Village's financial statements and accounting records:

- Intergovernmental receipts were not correctly allocated as required by Ohio Rev. Code §5735.28 and resulted in overstated receipts in the State Highway fund and understated receipts in the Street Construction, Maintenance and Repair fund in the amounts of \$6,573 and \$5,706 at December 31, 2016 and 2015, respectively;
- Utility receipts were not correctly allocated and resulted in overstated receipts in the Sewer Operating fund and understated receipts in the Water Operating fund in the amount of \$6,449 at December 31, 2015;
- Outstanding encumbrances and the amount by which subsequent year appropriations exceeded estimated receipts were not classified as assigned fund balance in the General fund and resulted in reclassifications from unassigned fund balance in the amounts of \$2,112,965 and \$2,200,977 at December 31, 2016 and 2015, respectively;
- The Capital Projects fund qualified as a major fund but was included in Other Governmental funds on the Village's financial statements at December 31, 2015. An adjustment was made to adjust all activity and present the Capital Projects fund as a major fund. Additionally, permissive tax in the amount of \$80,000 and loan proceeds in the amount of \$600,000 were incorrectly classified in the Capital Projects fund as Property and Other Local Taxes and Sale of Notes, respectively;
- Business type activities program cash receipts consisting of charges for services were reported as miscellaneous receipts in the amounts of \$27,596 and \$53,123 in 2016 and 2015; and

**FINDING NUMBER 2016-001
(Continued)**

- Governmental activities program cash receipts consisting of operating grants and contributions restricted for transportation purposes were reported as grants and entitlements not restricted to a specific program in the amounts of \$78,838 and \$74,511 in 2016 and 2015. Capital grant receipts totaling \$106,422 were reported as operating grants and contributions in 2016 and capital grant receipts totaling \$386,779 were reported as grants and entitlements not restricted to a specific program in 2015. Intergovernmental receipts totaling \$80,000 were reported as charges for services in 2015 and should have been reported as operating grants and contributions.

The misstatements noted above are reflected on the accompanying financial statements and have been posted to the Village's accounting records. Additional misstatements were noted that were immaterial to the Village's financial statements and not adjusted.

The failure to correctly record receipts and disbursements and classify fund balances may impact the users' understanding of the financial operations, the Village Council's and management's ability to make sound financial decisions or comply with budgetary laws, and could result in materially misstated reports.

The Village should implement policies and procedures to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

Official's Response:

I have reviewed all the items and am aware of the corrections that need to be made. The adjustments for the intergovernmental receipts and the utility receipts are made.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	ORC 733.28 requires a fiscal officer to maintain the books of the Village and exhibit accurate statement of all monies received and expended.	Not corrected	Repeated as Finding 2016-001 Money from water and sewer is entered daily into UAN since last audit and receipts are looked at monthly to ensure that they are entered into the right account.

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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
FEBRUARY 20, 2018