

**VILLAGE OF FOREST  
HARDIN COUNTY  
Regular Audit  
For the Years Ended December 31, 2012 and 2011**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Village Council  
Village of Forest  
211 West Lima Street  
Forest, Ohio 45843

We have reviewed the *Independent Auditor's Report* of the Village of Forest, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Forest is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 11, 2013

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**VILLAGE OF FOREST  
HARDIN COUNTY**

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# *Perry & Associates*

Certified Public Accountants, A.C.

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## **INDEPENDENT AUDITOR'S REPORT**

June 25, 2013

Village of Forest  
Hardin County  
211 West Lima Street  
Forest, Ohio 45843

To the Village Council:

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

We have audited the accompanying financial statements and related notes of the **Village of Forest**, Hardin County, (the Village) as of and for the years ended December 31, 2012 and 2011.

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

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

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

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

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Forest, Hardin County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

***Emphasis of Matter***

As discussed in Note 1F to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, 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.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**VILLAGE OF FOREST  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 27,995	\$ -	\$ -	\$ -	\$ 27,995
Municipal Income Tax	275,569	-	-	-	275,569
Intergovernmental	33,397	76,388	-	-	109,785
Charges for Services	22,335	12,813	-	-	35,148
Fines, Licenses, and Permits	4,884	-	-	-	4,884
Earnings on Investments	2,475	34	-	-	2,509
Miscellaneous	44,933	55,081	-	-	100,014
	<u>411,588</u>	<u>144,316</u>	<u>-</u>	<u>-</u>	<u>555,904</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	239,145	-	-	-	239,145
Public Health Services	6,608	-	-	-	6,608
Leisure Time Activities	-	119,923	-	-	119,923
Community Environment	21,952	-	-	-	21,952
Transportation	-	122,624	-	-	122,624
General Government	139,969	-	-	-	139,969
Debt Service:					
Principal Retirement	-	-	38,998	-	38,998
Interest and Fiscal Charges	-	-	3,086	-	3,086
	<u>407,674</u>	<u>242,547</u>	<u>42,084</u>	<u>-</u>	<u>692,305</u>
<b>Total Cash Disbursements</b>					
Excess of Receipts Over(Under) Disbursements	<u>3,914</u>	<u>(98,231)</u>	<u>(42,084)</u>	<u>-</u>	<u>(136,401)</u>
<b>Other Financing Receipts(Disbursements):</b>					
Transfers-In	-	51,548	25,578	-	77,126
Transfers-Out	(77,126)	-	-	-	(77,126)
	<u>(77,126)</u>	<u>51,548</u>	<u>25,578</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Receipts(Disbursements)</b>					
Net Change in Fund Cash Balances	(73,212)	(46,683)	(16,506)	-	(136,401)
Fund Cash Balances, January 1	<u>383,160</u>	<u>171,281</u>	<u>31,906</u>	<u>4,506</u>	<u>590,853</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	124,598	15,400	4,506	144,504
Unassigned	309,948	-	-	-	309,948
	<u>309,948</u>	<u>124,598</u>	<u>15,400</u>	<u>4,506</u>	<u>454,452</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 309,948</u>	<u>\$ 124,598</u>	<u>\$ 15,400</u>	<u>\$ 4,506</u>	<u>\$ 454,452</u>

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Proprietary Fund Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 591,645
Fines, Licenses and Permits	4,487
Miscellaneous	1,990
Total Operating Cash Revenues	598,122
<b>Operating Cash Disbursements:</b>	
Personal Services	168,628
Contractual Services	84,475
Supplies and Materials	77,900
Total Operating Cash Disbursements	331,003
Operating Income	267,119
<b>Non-Operating Cash Receipts(Disbursements):</b>	
Note Proceeds	114,400
Capital Outlay	(122,525)
Principal Retirement	(190,077)
Interest and Other Fiscal Charges	(22,582)
Total Non-Operating Cash Receipts(Disbursements)	(220,784)
Net Change in Fund Cash Balances	46,335
Fund Cash Balances, January 1	367,610
<b>Fund Cash Balances, December 31</b>	<b>\$ 413,945</b>

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 26,272	\$ -	\$ -	\$ -	\$ 26,272
Municipal Income Tax	325,796	-	-	-	325,796
Intergovernmental	54,834	86,083	-	-	140,917
Charges for Services	16,934	12,186	-	-	29,120
Fines, Licenses, and Permits	2,189	-	-	-	2,189
Earnings on Investments	2,323	31	-	-	2,354
Miscellaneous	16,969	18,994	-	-	35,963
	<u>445,317</u>	<u>117,294</u>	<u>-</u>	<u>-</u>	<u>562,611</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	237,502	-	-	-	237,502
Public Health Services	6,634	-	-	-	6,634
Leisure Time Activities	-	98,088	-	-	98,088
Transportation	-	97,615	-	-	97,615
General Government	197,719	-	-	-	197,719
Debt Service:					
Principal Retirement	-	-	16,033	-	16,033
Interest and Fiscal Charges	-	-	1,515	-	1,515
	<u>441,855</u>	<u>195,703</u>	<u>17,548</u>	<u>-</u>	<u>655,106</u>
<b>Total Cash Disbursements</b>					
Excess of Receipts Over(Under) Disbursements	<u>3,462</u>	<u>(78,409)</u>	<u>(17,548)</u>	<u>-</u>	<u>(92,495)</u>
<b>Other Financing Receipts(Disbursements):</b>					
Transfers-In	-	64,076	15,960	-	80,036
Transfers-Out	(80,036)	-	-	-	(80,036)
	<u>(80,036)</u>	<u>64,076</u>	<u>15,960</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Receipts(Disbursements)</b>					
Net Change in Fund Cash Balances	(76,574)	(14,333)	(1,588)	-	(92,495)
Fund Cash Balances, January 1 (As Restated - See Note 10)	<u>459,734</u>	<u>185,614</u>	<u>33,494</u>	<u>4,506</u>	<u>683,348</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	171,281	31,906	4,506	207,693
Unassigned	<u>383,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,160</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 383,160</u>	<u>\$ 171,281</u>	<u>\$ 31,906</u>	<u>\$ 4,506</u>	<u>\$ 590,853</u>

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 546,647
Miscellaneous	1,290
	547,937
<b>Operating Cash Disbursements:</b>	
Personal Services	146,491
Contractual Services	82,011
Supplies and Materials	66,487
	294,989
Total Operating Cash Disbursements	294,989
Operating Income	252,948
<b>Non-Operating Cash Receipts(Disbursements):</b>	
Capital Outlay	(2,069)
Principal Retirement	(239,143)
Interest and Other Fiscal Charges	(32,256)
Other Financing Sources	2,837
Other Financing Uses	(2,711)
	(273,342)
Total Non-Operating Cash Receipts(Disbursements)	(273,342)
Net Change in Fund Cash Balances	(20,394)
Fund Cash Balances, January 1 (As Restated - See Note 10)	388,004
<b>Fund Cash Balances, December 31</b>	<b>\$ 367,610</b>

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Forest, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village maintains the Village's roads and bridges and provides water and sewer utilities, park operations and police and fire protection.

The Village participates in the Ohio Plan Risk Management. Note 8 to the financial statements provides additional information for this entity. This organizations is:

Ohio Plan Risk Management:

The Village belongs to the Ohio Plan Risk Management (OPRM), a risk-sharing pool available to Ohio local governments. OPRM provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and recorded in another fund.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**D. Fund Accounting**

**2. Special Revenue Funds**

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

Street Construction, Maintenance, and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Park and Recreation Fund – This fund receives grants and general fund transfers to fund operations of the park and pool.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Debt Service Fund - This fund receives general fund transfers to retire the fire truck debt.

**4. Capital Project Funds**

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

Building Capital Project Fund - This fund is used to fund capital projects related to the Village's buildings.

**5. Enterprise Funds**

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

Water Fund – This fund receives charges for services from residents to cover the costs of providing this utility.

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

Solid Waste Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

In 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**F. Fund Balance (Continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.



**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS**

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

	2012	2011
Demand deposits	\$ 218,232	\$ 160,596
Certificate of deposit	265,392	264,241
Total deposits	483,624	424,837
Money market	205,691	254,754
STAR Ohio	179,082	278,872
Total investments	384,773	533,626
Total deposits and investments	\$ 868,397	\$ 958,463

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments in STAR Ohio are not evidenced by securities that exist in physical form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 473,193	\$ 411,588	\$ (61,605)
Special Revenue	194,430	195,864	1,434
Debt Service	28,200	25,578	(2,622)
Enterprise	580,400	712,522	132,122
Total	\$ 1,276,223	\$ 1,345,552	\$ 69,329

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 537,820	\$ 484,800	\$ 53,020
Special Revenue	280,985	242,547	38,438
Debt Service	24,600	42,084	(17,484)
Enterprise	669,344	666,187	3,157
Total	\$ 1,512,749	\$ 1,435,618	\$ 77,131

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 450,057	\$ 445,317	\$ (4,740)
Special Revenue	181,826	181,370	(456)
Debt Service	600	15,960	15,360
Enterprise	568,900	550,774	(18,126)
Total	\$ 1,201,383	\$ 1,193,421	\$ (7,962)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 572,876	\$ 521,891	\$ 50,985
Special Revenue	216,226	195,703	20,523
Debt Service	17,549	17,548	1
Enterprise	649,521	571,168	78,353
Total	\$ 1,456,172	\$ 1,306,310	\$ 149,862

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service Fund by \$17,484 for the year ended December 31, 2012.

**4. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.25% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2012 was as follows:

Name	Description	Principal Outstanding 12/31/10	Ded	Principal Outstanding 12/31/11	Add	Ded	Principal Outstanding 12/31/12
USDA	Fire Truck Loan, 4.625%	\$ 32,805	\$ 16,033	\$ 16,772	\$ -	\$ 16,772	\$ -
TCF	Garbage Truck Loan, 2.99%	-	-	-	114,400	22,226	92,174
	Total Governmental Fund Type	\$ 32,805	\$ 16,033	\$ 16,772	\$ 114,400	\$ 38,998	\$ 92,174
OWDA	Loan #1563, 7.21%	\$ 43,526	\$ 21,005	\$ 22,521	\$ -	\$ 22,521	\$ -
OWDA	Community Asst Loan #3509, 1.50%	511,824	41,098	470,726	-	41,717	429,009
OWDA	Capitalization Grant Fund #3966, 0.00%	663,672	52,693	610,979	-	32,427	578,552
OWDA	New Water Plant Engineering #4445, 0.00%	27,125	3,875	23,250	-	3,875	19,375
OWDA	New Water Plant Engineering #4296, 0.00%	15,000	2,500	12,500	-	2,500	10,000
OWDA	Water Plant #4708, 0.00%	906,798	12,093	894,705	-	28,370	866,335
OWDA	Phase 3 Sewer, 0.00%	547,779	32,061	515,718	-	29,070	486,648
OWDA	Phase 4 Sewer, 0.00%	953,776	67,053	886,723	-	22,833	863,890
OPWC	Water Treatment Plant Improvements, 0.00%, CT41J	31,500	1,750	29,750	-	1,750	28,000
OPWC	Sanitary Sewer Collection Improvements Phase 3, 0.00%, CT62K	29,744	3,500	26,244	-	3,500	22,744
OPWC	Sanitary Sewer Collection Improvements Phase 4, 0.00%, CT52L	30,290	1,515	28,775	-	1,514	27,261
	Total Proprietary Fund Type	\$ 3,761,034	\$ 239,143	\$ 3,521,891	\$ -	\$ 190,077	\$ 3,331,814
	Total Governmental and Proprietary	\$ 3,793,839	\$ 255,176	\$ 3,538,663	\$ 114,400	\$ 229,075	\$ 3,423,988

During 1992, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a water line replacement project. The original amount of the loan was \$251,652, which included \$4,555 in capitalized interest. The loan is to be repaid in semiannual installments of \$12,072, including interest over 20 years and has an interest rate of 7.21%. Payments on the outstanding balance began in 1993 and the final installment was paid in December 2012.

During 2002, the Village entered into a loan agreement with OWDA for phase one of a sewer construction project. The total loan amount is for \$837,435 with an interest rate of 1.5% and is to be paid back over 20 years in semiannual installments of \$24,311. Payments on the outstanding balance began during 2003 and the final payment will be due July 1, 2022.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. DEBT (Continued)**

During 2003, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for phase two of the sewer separation project. This loan is administered through OWDA. The total loan amount is \$1,053,861 with an interest rate of 0% and will be paid back over 20 years, with the first payment due January 1, 2005 and the final payment due July 1, 2024.

During 2003, the Village issued Fire Apparatus Acquisition Bonds in the principal amount of \$138,000 for the purpose of acquiring fire apparatus, namely a fire truck and related equipment. The United States Department of Agriculture, Rural Development, also known as the USDA, agreed to purchase these bonds, in addition to providing a grant in an amount not to exceed \$37,000 for the acquisition of the fire apparatus. The bonds were dated November 8, 2002, with the interest rate stated at 4.625%. The payments are due annually with the first payment due on November 1, 2003 and the last payment was paid on November 1, 2012. The debt payments for this loan were funded by municipal income tax and were being paid out of the Debt Service fund prior to and during 2005. During 2006, the Village determined that they had a remaining fund balance in the Fire Truck Capital Projects fund which was originally established for the purchase of the fire truck with municipal income tax monies. It was determined that all future payments for the fire truck loan would be funded through the Fire Truck Capital Projects fund until the money was extinguished.

During 2005, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for technical services for the water system improvements project. This loan is administered through OWDA. The total loan amount is \$25,000 with an interest rate of 0% and will be paid back over 10 years, with the first payment due July 1, 2007 and the final payment due July 1, 2016.

During 2006, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for technical services for the water system improvements project. This loan is administered through OWDA. The total loan amount is \$38,750 with an interest rate of 0% and will be paid back over 10 years, with the first payment due July 1, 2008 and the final payment due July 1, 2017.

During 2007, the Village entered into a loan agreement with OWDA for construction of a new water treatment plant. The total loan amount is for \$1,004,037 with an interest rate of 1.5% and is to be paid back over 20 years in semiannual installments of \$26,777. Payments on the outstanding balance began during 2008 and the final payment will be due January 1, 2028.

During 2008, the Village entered into a loan agreement with OWDA for phase three of a wastewater collection project. The total loan amount is for \$523,414 with an interest rate of 0.0% and is to be paid back over 20 years in semiannual installments of \$16,031. Payments on the outstanding balance began during 2008 and the final payment will be due July 1, 2028.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. DEBT (Continued)**

During 2009, the Village entered into a loan agreement with OWDA for phase four of a wastewater collection project. The total loan amount thus far is \$1,341,066 with an interest rate of 0.0% and is to be paid back over 20 years in semiannual installments of \$33,527. Payments on the outstanding balance began during 2010 and the final payment will be due July 1, 2030.

During 2009, the Village entered into a loan agreement with OPWC for phase three of a sanitary sewer collection project. The total loan amount is \$35,000 with an interest rate of 0.0% and is to be paid back over 10 years in semiannual installments of \$1,750. Payments on the outstanding balance began during 2009 and the final payment will be due January 1, 2019.

During 2009, the Village entered into a loan agreement with OPWC for water treatment plant improvements. The total loan amount is \$35,000 with an interest rate of 0.0% and is to be paid back over 10 years in semiannual installments of \$1,750. Payments on the outstanding balance began during 2009 and the final payment will be due July 1, 2019.

During 2010, the Village entered into a loan agreement with OPWC for phase four of a sanitary sewer collection project. The total loan amount is \$30,290 with an interest rate of 0.0% and is to be paid back over 20 years in semiannual installments of \$757. Payments on the outstanding balance will begin in 2011 and the final payment will be due July 1, 2030.

During 2012, the Village entered into a loan agreement with the TCF Equipment Finance to purchase a new garbage truck. The payments are made every three months beginning in March, 2012 from the debt service fund. The total loan amount is \$114,400 with payments of \$6,134 and a fixed interest rate of 2.99%. The final payment will be due December 2016.

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

Year ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 270,012	\$ 21,868	\$ 291,880
2014	271,929	19,896	291,825
2015	273,885	17,885	291,770
2016	275,881	15,834	291,715
2017	250,604	14,020	264,624
2018-2022	1,220,770	49,787	1,270,557
2023-2027	666,989	22,384	689,373
2028-2031	193,918	4,430	198,348
Total	<u>\$ 3,423,988</u>	<u>\$ 166,104</u>	<u>\$ 3,590,092</u>

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio 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.

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, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) 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 782 and 761 members as of December 31, 2011 and 2010 respectively.

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 FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	<b>2011</b>	<b>2010</b>
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	\$7,172,519	\$7,191,485

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

**9. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**10. RESTATEMENT OF FUND BALANCES**

During the prior audit, the Village recorded FEMA Grant activity in the General Fund and Enterprise Fund. An adjustment was made to move the activity to the FEMA fund (a special revenue fund), however, the adjustment did not include expenses related to the Grant. Beginning fund balances were adjusted to reflect the adjustment for the expenditures.

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
Fund Cash Balance, January 1, 2011	\$450,311	\$195,527	\$387,514	\$1,033,352
Adjustment for FEMA Expenditures	9,423	(9,913)	490	-
Fund Cash Balance, January 1, 2011 – As Restated	\$459,734	\$185,614	\$388,004	\$1,033,352

# *Perry & Associates*

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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**

June 25, 2013

Village of Forest  
Hardin County  
211 West Lima Street  
Forest, OH 45843

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 financial statements of the **Village of Forest**, Hardin County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 25, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and has adopted Governmental Accounting Standards Board Statement No. 54.

### ***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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

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 a 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. We consider finding 2012-001 as described in the accompanying schedule of audit findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 25, 2013.

***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.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Material Weakness**

**Posting Receipts and Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2012 and 2011, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursements. The following posting errors were noted:

- Miscellaneous receipts were posted as Charges for Services
- Intergovernmental receipts were posted as Miscellaneous receipts
- Note proceeds and corresponding capital outlay were not recorded
- Principal and interest payments were not posted correctly
- Transfers-Out were posted as General Government
- Beginning balances were restated

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The financial statements reflect all reclassifications and adjustments. Village management agrees with the reclassifications and adjustments, and all adjustments have been made to the Village's accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Posting Receipts and Expenditures	No	Not Corrected; Repeated as Finding 2012-001

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# Dave Yost • Auditor of State

**VILLAGE OF FOREST**

**HARDIN 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  
SEPTEMBER 26, 2013**