



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF FORT RECOVERY
MERCER COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Fort Recovery
Mercer County
201 S Main Street
PO Box 340
Fort Recovery, Ohio 45846

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fort Recovery, Mercer County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fort Recovery, Mercer County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the Village. 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 June 23, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 23, 2020

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019**

| | General | Special Revenue | Debt Service | Capital Projects | Permanent | Total |
|---|--------------------|--------------------|-----------------|---------------------|----------------|--------------------|
| Receipts: | | | | | | |
| Property and Other Taxes | \$157,927 | \$142,578 | \$0 | \$0 | \$0 | \$300,505 |
| Municipal Income Tax | 850,397 | - | - | - | - | 850,397 |
| Intergovernmental | 58,790 | 183,250 | - | 176,166 | - | 418,206 |
| Special Assessments | 6,539 | - | - | - | - | 6,539 |
| Charges for Services | 62,796 | - | - | - | - | 62,796 |
| Fines, Licenses and Permits | 3,067 | - | - | - | - | 3,067 |
| Earnings on Investments | 46,911 | 3,522 | - | - | 9 | 50,442 |
| Miscellaneous | 115,481 | 6,762 | - | - | - | 122,243 |
| <i>Total Cash Receipts</i> | <u>1,301,908</u> | <u>336,112</u> | <u>-</u> | <u>176,166</u> | <u>9</u> | <u>1,814,195</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons & Property | 194,626 | 994 | - | - | - | 195,620 |
| Public Health Services | 31,171 | - | - | - | - | 31,171 |
| Leisure Time Activities | 113,343 | - | - | - | - | 113,343 |
| Community Environment | 3,930 | - | - | - | - | 3,930 |
| Basic Utility Services | 255 | 14,572 | - | - | - | 14,827 |
| Transportation | - | 272,376 | - | - | - | 272,376 |
| General Government | 336,526 | - | - | - | - | 336,526 |
| Capital Outlay | 113,815 | 183,519 | - | 222,255 | - | 519,589 |
| Debt Service: | | | | | | |
| Principal Retirement | 55,806 | 9,000 | 9,232 | - | - | 74,038 |
| <i>Total Cash Disbursements</i> | <u>849,472</u> | <u>480,461</u> | <u>9,232</u> | <u>222,255</u> | <u>-</u> | <u>1,561,420</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>452,436</u> | <u>(144,349)</u> | <u>(9,232)</u> | <u>(46,089)</u> | <u>9</u> | <u>252,775</u> |
| Other Financing Receipts (Disbursements): | | | | | | |
| Transfers In | - | 225,450 | 9,232 | 32,568 | - | 267,250 |
| Transfers Out | (396,750) | (5,500) | - | - | - | (402,250) |
| Advances In | 176,695 | - | - | 160,905 | - | 337,600 |
| Advances Out | (160,905) | - | - | (176,695) | - | (337,600) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(380,960)</u> | <u>219,950</u> | <u>9,232</u> | <u>16,778</u> | <u>-</u> | <u>(135,000)</u> |
| <i>Net Change in Fund Cash Balances</i> | 71,476 | 75,601 | - | (29,311) | 9 | 117,775 |
| <i>Fund Cash Balances, January 1</i> | <u>1,602,436</u> | <u>319,244</u> | <u>-</u> | <u>167,943</u> | <u>4,908</u> | <u>2,094,531</u> |
| Fund Cash Balances, December 31 | | | | | | |
| Nonspendable | - | - | - | - | 4,000 | 4,000 |
| Restricted | - | 394,845 | - | - | - | 394,845 |
| Committed | 500 | - | - | 138,630 | - | 139,130 |
| Assigned | 118,270 | - | - | - | 917 | 119,187 |
| Unassigned (Deficit) | 1,555,142 | - | - | 2 | - | 1,555,144 |
| <i>Fund Cash Balances, December 31</i> | <u>\$1,673,912</u> | <u>\$394,845</u> | <u>\$0</u> | <u>\$138,632</u> | <u>\$4,917</u> | <u>\$2,212,306</u> |

See accompanying notes to the financial statements.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**Combined Statement of Receipts, Disbursements and Changes
Balances (Cash Basis) - Proprietary Fund Types
For the Year Ended December 31, 2019**

| | Enterprise |
|---|-------------------|
| Operating Receipts: | |
| Charges for Services | \$659,586 |
| Fines, Licenses and Permits | 4,160 |
| Miscellaneous | 1,440 |
| <i>Total Operating Cash Receipts</i> | 665,186 |
| Operating Disbursements: | |
| Personal Services | 200,343 |
| Contractual Services | 108,247 |
| Supplies and Materials | 87,524 |
| Other | 737 |
| <i>Total Operating Cash Disbursements</i> | 396,851 |
| <i>Operating Income (Loss)</i> | 268,335 |
| Non-Operating Receipts (Disbursements): | |
| Capital Outlay | (95,296) |
| Principal Retirement | (87,968) |
| Interest and Other Fiscal Charges | (48,177) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (231,441) |
| <i>Income (Loss) before Transfers</i> | 36,894 |
| Transfers In | 135,000 |
| <i>Net Change in Fund Cash Balance</i> | 171,894 |
| <i>Fund Cash Balances, January 1</i> | 627,394 |
| <i>Fund Cash Balances, December 31</i> | \$799,288 |

See accompanying notes to the financial statements.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Fort Recovery (the Village), Mercer County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Street Levy The Street Levy fund accounts for and reports the portion of the funds received from a street levy that is paid by Village residents through their real estate taxes. Funds are used for construction, maintenance and repairs of Village streets.

Storm Sewer Levy The Storm Sewer Levy funds accounts for and reports the portion of the funds received from a storm sewer levy that is paid by Village residents through their real estate taxes. Funds are used for construction and maintenance of our storm sewers.

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 Funds:

Hickory Circle Debt Service The Hickory Circle Debt Service Fund receives funds from the Storm Sewer Levy fund to fund the repayment of this OPWC debt.

George Street Debt Service The George Street Debt Service Fund receives funds from the General fund to fund the repayment of this OPWC debt.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 funds:

Industrial Park fund The Industrial Park fund accounts for and reports proceeds from the sale of commercial lots in the industrial park. The proceeds are restricted for maintenance of the industrial park and for the future needs of an industrial park expansion.

Village Share Project fund The Village Share Project fund accounts for the receipt of monies from the general fund for the construction of projects which need to have monies set aside and accounted for committed projects.

ODNR Grant fund The ODNR Grant fund accounts for monies received from ODNR. The proceeds are restricted for projects approved for funding by ODNR.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Trust Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

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

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

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

Sewer User Fee Fund The sewer user fee fund accounts for the \$11 per month charge per sewer customer account. These fees are used to repay loans obtained for the sewer separation projects.

Sewer Improvement Fund The sewer improvement fund accounts for the \$1.00 per month sewer customer account. Funds are also transferred in to complete sewer projects.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Non-spendable The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

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

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

| 2019 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|--------------------|--------------------|-------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,303,243 | \$1,301,908 | (\$1,335) |
| Special Revenue | 561,566 | 561,562 | (4) |
| Debt Service | 9,233 | 9,232 | (1) |
| Capital Projects | 192,943 | 208,734 | 15,791 |
| Enterprise | 849,368 | 800,186 | (49,182) |
| Permanent | 9 | 9 | 0 |
| Total | \$2,916,362 | \$2,881,631 | (\$34,731) |

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,230,431 | \$1,246,222 | (\$15,791) |
| Special Revenue | 485,960 | 485,961 | (1) |
| Debt Service | 9,232 | 9,232 | 0 |
| Capital Projects | 222,255 | 222,255 | 0 |
| Enterprise | 680,009 | 628,292 | 51,717 |
| Permanent | 0 | 0 | 0 |
| Total | \$2,627,887 | \$2,591,962 | \$35,925 |

Note 4 – Deposits and Investments

The Village maintains a deposits and investments 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:

| | |
|--|-------------------------|
| | <u>2019</u> |
| Demand deposits | \$31,316 |
| Certificates of deposit | 2,444,010 |
| Other time deposits (savings and NOW accounts) | 536,223 |
| Total deposits | <u>3,011,549</u> |

The Village also has \$45 in undeposited petty cash.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2019, consisted of \$13,720 which was the remaining unpaid amount advanced to ODNR Grant funds to provide funds for the Ball Diamond Construction Project. At the end of the year the Village was waiting on weather conditions to allow installation which would limit damage to the diamonds. The money will be repaid in 2020 when funds are received from ODNR to reimburse the village for final ball diamond improvements.

Note 7 Risk Management

Workers' Compensation

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.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles
- Crime
- Inland Marine
- Umbrella
- Linebacker, Law Enforcement and Cyber solutions
- Errors and omissions

During 2019, the Village paid \$1,000 for losses that exceeded insurance coverage.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All Village employees with the exception of two councilman and the three full time police officers, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Social Security

Two Village employees (councilmen) contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits

Note 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| Second National Bank Mortg Revenue Bond | \$124,913 | 3.60% |
| Rural Development Revenue Bond | 1,290,532 | 3.00% |
| Ohio Public Works Loans | 1,258,628 | 0.00% |
| Total | \$2,674,073 | |

The Second National Bank Mortgage Bond was obtained on November 29, 2012 to refinance the Berkadia Mortgage Revenue Bond. This was for the construction of the Water Plant in 1984. Rural Development approved \$774,000 in bonds to the Village for this project. This bond is collateralized by Village owned real estate and will be repaid in three years.

The Rural Development Mortgage Revenue Bonds are to finance Phase I of the Village’s Sewer Separation Project. Rural Development approved \$1,566,000 in bonds collateralized by Village owned real estate. The Village will repay these bonds in annual payment per the amortization schedule, which includes interest. The Village charged a monthly fee of \$11 paid by each Village sewer customer to cover the bond payments; it is placed in the Sewer User Fee Fund. The Sewer User Fee fund carried a balance of \$33,698 on December 31, 2019. The Rural Development mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve and surplus fund, included as enterprise funds. The balance in the funds on December 31, 2019 was \$70,000 and \$10,065 respectively.

The Ohio Public Works Commission (OPWC) loans include the following:

OPWC Loan CMO2K obtained in 2007 in the amount of \$74,642 for the purpose of reconstruction of George Street. This is a 20 year 0% loan with semi-annual payments of \$1,866. The payments are made with General Fund monies.

OPWC Loan CM26F obtained in 2002 in the amount of \$110,000 for the purpose of Hickory Circle Storm Sewer Construction. This is a 20 year 0% loan with semi-annual payment of \$2,750. The payments are made with Storm Sewer Levy Fund monies.

OPWC Loan CT64M obtained in 2010 for \$1,000,000. \$652,483 of this amount was borrowed for the purpose of Elm & Wayne Street Reconstruction. This is a 20 year 0% loan with semi-annual payments of \$16,312. The payments are made by the Sewer User Fee Fund and the Storm Sewer Levy Fund.

OPWC Loan CT108 obtained in 2014 for \$1,155,000. \$1,116,124.91 of this was borrowed for the purpose of Phase II of the Sewer Separation. This is a 20 year 0% loan with semi-annual payments of \$27,903.12. The payments are made by the General Fund.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

| Year Ending December 31: | OPWC Loans | General Obligation Bonds | SNB MTG REV Bonds |
|-----------------------------|--------------------|--------------------------------|----------------------|
| 2020 | \$97,662 | \$67,739 | \$44,718 |
| 2021 | 97,662 | 67,750 | 44,718 |
| 2022 | 97,662 | 67,737 | 44,718 |
| 2023 | 92,162 | 67,800 | |
| 2024 | 92,162 | 67,736 | |
| 2025-2029 | 471,348 | 338,714 | |
| 2030-2034 | 309,970 | 338,726 | |
| 2035-2039 | | 338,728 | |
| 2040-2044 | | 338,769 | |
| 2045-2049 | | 338,784 | |
| 2050-2051 | | 135,462 | |
| | <u>\$1,258,628</u> | <u>\$2,167,945</u> | <u>\$134,154</u> |

Note 11 – Construction and Contractual Commitments

On December 31st the Village had one approved construction project not yet completed.

NatureWorks Grant funded by ODNR in the amount of \$140,000 with the Village committing \$35,000. There were payments made in 2019 in the amount of \$110,490. There was an outstanding advance of \$13,720 at the end of 2019 mentioned in Note 6. At the end of the year the lights were remaining to be installed over the winter.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the state government. 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. The Village is currently not a defendant in any lawsuits.

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio and the investments of the pension and other employee benefit plan in which the Village participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018**

| | General | Special | Debt | Capital | Permanent | Total |
|---|--------------------|------------------|----------------|------------------|----------------|--------------------|
| Receipts: | | | | | | |
| Property and Other Taxes | \$153,874 | \$139,576 | \$0 | \$0 | \$0 | \$293,450 |
| Municipal Income Tax | 794,509 | - | - | - | - | 794,509 |
| Intergovernmental | 55,537 | 161,657 | - | 366,301 | - | 583,495 |
| Special Assessments | 29,842 | - | - | - | - | 29,842 |
| Charges for Services | 46,624 | - | - | - | - | 46,624 |
| Fines, Licenses and Permits | 3,868 | - | - | - | - | 3,868 |
| Earnings on Investments | 31,597 | 1,896 | - | - | 16 | 33,509 |
| Miscellaneous | 78,550 | 5,207 | - | - | - | 83,757 |
| <i>Total Cash Receipts</i> | <u>1,194,401</u> | <u>308,336</u> | <u>-</u> | <u>366,301</u> | <u>16</u> | <u>1,869,054</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons & Property | 164,443 | - | - | - | - | 164,443 |
| Public Health Services | 26,612 | - | - | - | - | 26,612 |
| Leisure Time Activities | 95,806 | - | - | - | - | 95,806 |
| Community Environment | 5,652 | - | - | - | - | 5,652 |
| Basic Utility Services | 210 | 12,401 | - | - | - | 12,611 |
| Transportation | - | 184,213 | - | - | - | 184,213 |
| General Government | 369,618 | - | - | - | - | 369,618 |
| Capital Outlay | 115,343 | 301,308 | - | 831,863 | - | 1,248,514 |
| Debt Service: | | | | | | |
| Principal Retirement | 55,806 | 9,000 | 9,232 | - | - | 74,038 |
| <i>Total Cash Disbursements</i> | <u>833,490</u> | <u>506,922</u> | <u>9,232</u> | <u>831,863</u> | <u>-</u> | <u>2,181,507</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>360,911</u> | <u>(198,586)</u> | <u>(9,232)</u> | <u>(465,562)</u> | <u>16</u> | <u>(312,453)</u> |
| Other Financing Receipts (Disbursements): | | | | | | |
| Sale of Capital Assets | - | 5,000 | - | - | - | 5,000 |
| Transfers In | - | 176,880 | 9,232 | 47,722 | - | 233,834 |
| Transfers Out | (248,334) | (5,500) | - | - | - | (253,834) |
| Advances In | 110,490 | - | - | 140,000 | - | 250,490 |
| Advances Out | (140,000) | - | - | (110,490) | - | (250,490) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(277,844)</u> | <u>176,380</u> | <u>9,232</u> | <u>77,232</u> | <u>-</u> | <u>(15,000)</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>83,067</u> | <u>(22,206)</u> | <u>-</u> | <u>(388,330)</u> | <u>16</u> | <u>(327,453)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>1,519,369</u> | <u>341,450</u> | <u>-</u> | <u>556,273</u> | <u>4,892</u> | <u>2,421,984</u> |
| Fund Cash Balances, December 31 | | | | | | |
| Nonspendable | 178 | - | - | - | 4,000 | 4,178 |
| Restricted | - | 319,244 | - | - | - | 319,244 |
| Committed | 2,547 | - | - | 167,943 | - | 170,490 |
| Assigned | - | - | - | - | 908 | 908 |
| Unassigned (Deficit) | 1,599,711 | - | - | - | - | 1,599,711 |
| <i>Fund Cash Balances, December 31</i> | <u>\$1,602,436</u> | <u>\$319,244</u> | <u>\$0</u> | <u>\$167,943</u> | <u>\$4,908</u> | <u>\$2,094,531</u> |

See accompanying notes to the financial statements.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**Combined Statement of Receipts, Disbursements and Changes in Fund
Balances (Cash Basis) - Proprietary Fund Types
Enterprise Funds
For the Year Ended December 31, 2018**

| | Enterprise |
|--|-------------------|
| Operating Receipts: | |
| Charges for Services | \$618,326 |
| Miscellaneous | 1,613 |
| <i>Total Operating Cash Receipts</i> | 619,939 |
| Operating Disbursements: | |
| Personal Services | 196,129 |
| Contractual Services | 83,153 |
| Supplies and Materials | 91,420 |
| Other | 1,068 |
| <i>Total Operating Cash Disbursements</i> | 371,770 |
| <i>Operating Income (Loss)</i> | 248,169 |
| Non-Operating Receipts (Disbursements): | |
| Capital Outlay | (56,244) |
| Principal Retirement | (85,804) |
| Interest and Other Fiscal Charges | (50,274) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (192,322) |
| <i>Income (Loss) before Capital Contributions, Special</i> | 55,847 |
| Transfers In | 20,000 |
| <i>Net Change in Fund Cash Balance</i> | 75,847 |
| <i>Fund Cash Balances, January 1</i> | 551,547 |
| <i>Fund Cash Balances, December 31</i> | \$627,394 |

See accompanying notes to the financial statements.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Fort Recovery (the Village), Mercer County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Street Levy The Street Levy fund accounts for and reports the portion of the funds received from a street levy that is paid by Village residents through their real estate taxes. Funds are used for construction, maintenance and repairs of Village streets.

Storm Sewer Levy The Storm Sewer Levy fund accounts for and reports the portion of the funds received from a storm sewer levy that is paid by Village residents through their real estate taxes. Funds are used for construction and maintenance of our storm sewers.

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 Funds:

Hickory Circle Debt Service The Hickory Circle Debt Service Fund receives funds from the Storm Sewer Levy fund to fund the repayment of this OPWC debt.

George Street Debt Service The George Street Debt Service Fund receives funds from the General fund to fund the repayment of this OPWC debt.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 funds:

Industrial Park fund The Industrial Park fund accounts for and reports proceeds from the sale of commercial lots in the industrial park. The proceeds are restricted for maintenance of the industrial park and for the future needs of an industrial park expansion.

Village Share Project fund The Village Share Project fund accounts for the receipt of monies from the general fund for the construction of projects which need to have monies set aside and accounted for committed projects.

ODNR Grant fund The ODNR Grant fund accounts for monies received from ODNR. The proceeds are restricted for projects approved for funding by ODNR.

William Street Project CM230 fund The William Street Project fund accounts for the Village committed monies and monies received from OPWC for the construction of William Street.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Trust Fund The cemetery trust fund accounts for and reports interest earned on the nonexpendable trust agreement. These earnings can be used for the general maintenance and upkeep of the village's cemetery.

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

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

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

Sewer User Fee Fund The sewer user fee fund accounts for the \$11 per month charge per sewer customer account. These fees are used to repay loans obtained for the sewer separation projects.

Sewer Improvement Fund The sewer improvement fund accounts for the \$1.00 per month sewer customer account. Funds are also transferred in to complete sewer projects.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

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. At this time the Village only invests in money market savings and bank certificates of deposits.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,130,918 | \$1,194,401 | \$63,483 |
| Special Revenue | 529,341 | 490,216 | (39,125) |
| Debt Service | 9,233 | 9,232 | (1) |
| Capital Projects | 742,455 | 414,023 | (328,432) |
| Enterprise | 813,902 | 639,939 | (173,963) |
| Permanent | 120 | 16 | (104) |
| Total | \$3,225,969 | \$2,747,827 | (\$478,142) |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,111,334 | \$1,081,824 | \$29,510 |
| Special Revenue | 512,422 | 512,422 | 0 |
| Debt Service | 9,232 | 9,232 | 0 |
| Capital Projects | 831,863 | 831,863 | 0 |
| Enterprise | 615,811 | 564,092 | 51,719 |
| Permanent | 0 | 0 | 0 |
| Total | \$3,080,662 | \$2,999,433 | \$81,229 |

Note 4 – Deposits and Investments

The Village maintains deposits and investments to pool all funds for its use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments on December 31 was as follows:

| | |
|--|------------------|
| Demand deposits | 2018 \$80,900 |
| Certificates of deposit | 2,243,551 |
| Other time deposits (savings and NOW accounts) | 397,429 |
| Total deposits | 2,721,880 |

The Village also has \$45 in undeposited petty cash.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

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

Note 5 – Taxes

Property Taxes

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

Public utilities are also taxed on real property located within the Village if it is deemed that the property is revenue producing property.

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

Income Taxes

The Village levies a municipal income tax of 1.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes either monthly or quarterly and file a declaration annually.

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2018, consisted of \$29,510 advanced to ODNR Grant funds to provide funds for the Ball Diamond Construction Project. The Village was given permission to begin the construction while waiting on the updated park lease from the Ohio History Connection. The money will be repaid when funds are received from ODNR to reimburse the Village for ball diamond improvements.

Note 7 - Risk Management

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 (if material).

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Crime
- Inland Marine
- Umbrella
- Linebacker, Law Enforcement and Cyber solutions
- Errors and omissions.

During 2018, the Village did not have any losses that exceeded insurance coverage.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System All employees, with the exception of two councilmen and the full time police officers, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% 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, 2018.

Ohio Police and Fire Retirement System

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

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

Social Security

Two Village employees (councilmen) contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 9 - Postemployment Benefits

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

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| Second National Bank Mortg Revenue Bond | \$163,657 | 3.60% |
| Rural Development Revenue Bond | 1,316,132 | 3% |
| Ohio Water Development Authority Loan | 1,356,290 | 0% |
| Total | \$2,836,079 | |

The Second National Bank Mortgage Bond was obtained on November 29, 2012 to refinance the Berkadia Mortgage Revenue Bond. This was for the construction of the Water Plant in 1984. Rural Development approved \$774,000 in bonds to the Village for this project. This bond is collateralized by Village owned real estate and will be repaid in four years.

The Rural Development Mortgage Revenue Bonds are to finance Phase I of the Village's Sewer Separation Project. Rural Development approved \$1,566,000 in bonds collateralized by Village owned real estate. The Village will repay these bonds in annual payment per the amortization schedule, which includes interest. The Village charged a monthly fee of \$11 paid by each Village sewer customer to cover the bond payments; it is placed in the Sewer User Fee Fund. The Sewer User Fee fund carried a balance of \$35,567 on December 31, 2018. The Rural Development mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve and surplus fund, included as enterprise funds. The balance in the funds on December 31, 2018 is \$63,000 and \$8,903 respectively.

The Ohio Public Works Commission (OPWC) loans include the following:

OPWC Loan CMO2K obtained in 2007 in the amount of \$74,642 for the purpose of reconstruction of George Street. This is a 20 year 0% loan with semi-annual payments of \$1,866. The payments are made with General Fund monies.

OPWC Loan CM26F obtained in 2002 in the amount of \$110,000 for the purpose of Hickory Circle Storm Sewer Construction. This is a 20 year 0% loan with semi-annual payment of \$2,750. The payments are made with Storm Sewer Levy Fund monies.

OPWC Loan CT64M obtained in 2010 for \$1,000,000. \$652,483 of this amount was borrowed for the purpose of Elm & Wayne Street Reconstruction. This is a 20 year 0% loan with semi-annual payments of \$16,312. The payments are made by the Sewer User Fee Fund and the Storm Sewer Levy Fund.

OPWC Loan CT108 obtained in 2014 for \$1,155,000. \$1,116,124.91 of this was borrowed for the purpose of Phase II of the Sewer Separation. This is a 20 year 0% loan with semi-annual payments of \$27,903.12. The payments are made by the General Fund.

Village of Fort Recovery, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

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

| Year Ending December 31: | OPWC Loans | General | |
|-----------------------------|--------------------|---------------------|----------------------|
| | | Obligation Bonds | SNB MTG REV Bonds |
| 2019 | \$97,662 | \$67,807 | \$44,718 |
| 2020 | 97,662 | 67,739 | 44,718 |
| 2021 | 97,662 | 67,750 | 44,718 |
| 2022 | 97,662 | 67,737 | 44,718 |
| 2023 | 92,162 | 67,800 | 0 |
| 2024-2028 | 457,080 | 338,730 | 0 |
| 2029-2033 | 360,591 | 338,692 | 0 |
| 2034-2038 | 55,809 | 338,767 | 0 |
| 2039-2043 | 0 | 338,716 | 0 |
| 2044-2048 | 0 | 338,775 | 0 |
| 2049-2051 | 0 | 203,210 | 0 |
| Total | <u>\$1,356,290</u> | <u>\$2,235,723</u> | <u>\$178,872</u> |

Note 11 – Construction and Contractual Commitments

On December 31st the Village had three approved construction projects not yet completed.

NatureWorks Grant funded by ODNR in the amount of \$140,000 with the Village committing \$35,000. There were payments made in 2018 in the amount of \$29,510 which was an outstanding advance at the end of 2018 mentioned in Note 6.

NatureWorks Grant funded by ODNR in the amount of \$15,883 with the Village committing \$29,117. This project is to construct a new decorative pool fence. This project will not begin until 2019.

NatureWorks Grant funded by ODNR in the amount of \$41,000 with the Village committing \$10,000. This project is to construct new park signage and shade structures for the dugouts. This project will not begin until 2019.

Note 12 – Contingent Liabilities

The Village is currently not a defendant in any lawsuits.

OHIO AUDITOR OF STATE KEITH FABER



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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 Recovery
Mercer County
201 S Main Street
PO Box 340
Fort Recovery, Ohio 45846

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 cash balances, receipts, and disbursements by fund type of the Village of Fort Recovery, Mercer County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 23, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the Village.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

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*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 23, 2020

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2019-001

Significant Deficiency

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

The Village did not have procedures in place to help assure that all financial transactions were correctly reported in the financial statements. The following errors were identified in the 2019 and 2018 financial statements and required adjustments to the accompanying financial statements:

- In 2019 and 2018, the Village did not properly include the unclaimed money fund of \$178 in the financial statements.
- In 2019 and 2018, the Village did not properly report \$45 of petty cash in the reconciliation or financial statements.
- In 2019, the Village did not properly report advances in and out for both the General and Capital Projects funds. The General Fund did not correctly report \$160,905 of advances in but had properly reported \$15,790 of advances in. The General Fund also did not report \$160,905 of advances out. The Capital Projects fund did not correctly report \$160,905 of advances in and \$160,905 of advances out.
- In 2019, the Capital Projects funds incorrectly reported transfers out in the amount of \$15,790 that should have been reported as advances out.
- In 2019, the Village did not properly report the beginning enterprise fund balances on the financial statements filed in the HINKLE system resulting in a \$75,845 increase in beginning fund balance.
- In 2019, the Village incorrectly reported \$142,578 as income tax revenue that should have been reported as property tax revenue in Special Revenue Funds in the financial statements.
- In 2019, \$183,519 of disbursements were incorrectly shown as General Government disbursements instead of Capital Projects disbursements in the Special Revenue Funds.

Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 16 (GASB Codification 1800.176) – Fund Balance Reporting and Governmental Fund Type Definitions, states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

- For year 2019, subsequent year appropriations in the General Fund exceeded estimated receipts by \$118,270 and were improperly classified as unassigned fund balance instead of assigned fund balance.

Errors in the financial statements and/or accounting records inhibit the ability of both the Fiscal Officer and the Council to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Village. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

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 noted the report deficiencies in Finding 2019-001 of our audit for 2018-2019. Most items were reported correctly in one section of the report and carried forward incorrectly by me. I have receipted the \$45 in petty cash and we are now reporting it each month on the bank reconciliation. I work very hard to ensure all village monies are accounted for accurately and will take more time to review the reports for errors before submitting them in the future.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF FORT RECOVERY

MERCER 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
JULY 28, 2020**