

**VILLAGE OF FOREST  
HARDIN COUNTY  
Regular Audit  
For the Years Ended December 31, 2010 and 2009**

***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 Accountants' Report* of the Village of Forest, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 25, 2011

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**VILLAGE OF FOREST  
HARDIN COUNTY**

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***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT**

June 13, 2011

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

To the Village Council:

We have audited the accompanying financial statements of **Village of Forest**, Hardin County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Village of Forest  
Hardin County  
Independent Accountants' Report  
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009 or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Forest, Hardin County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 22,686	\$ -	\$ -	\$ -	\$ 22,686
Municipal Income Taxes	368,062	-	-	-	368,062
Intergovernmental	48,363	88,210	-	-	136,573
Charges for Services	12,056	11,995	-	-	24,051
Fines, Licenses, and Permits	3,386	-	-	-	3,386
Earnings on Investments	4,626	73	-	-	4,699
Miscellaneous	20,445	71	-	-	20,516
	<u>479,624</u>	<u>100,349</u>	<u>-</u>	<u>-</u>	<u>579,973</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	268,216	475	-	-	268,691
Public Health Services	6,724	-	-	-	6,724
Leisure Time Activities	-	82,424	-	-	82,424
Community Environment	7,754	-	-	-	7,754
Transportation	-	81,266	-	-	81,266
General Government	146,035	-	-	-	146,035
Debt Service:					
Redemption of Principal	-	-	15,322	-	15,322
Interest and Fiscal Charges	-	-	2,226	-	2,226
Capital Outlay	-	-	-	11,847	11,847
	<u>428,729</u>	<u>164,165</u>	<u>17,548</u>	<u>11,847</u>	<u>622,289</u>
<b>Total Cash Disbursements</b>					
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>50,895</u>	<u>(63,816)</u>	<u>(17,548)</u>	<u>(11,847)</u>	<u>(42,316)</u>
<b>Other Financing Receipts/Disbursements:</b>					
Transfer-In	-	69,911	17,089	-	87,000
Transfer-Out	(87,000)	-	-	-	(87,000)
Other Financing Sources	2,993	70	-	-	3,063
	<u>(84,007)</u>	<u>69,981</u>	<u>17,089</u>	<u>-</u>	<u>3,063</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(33,112)	6,165	(459)	(11,847)	(39,253)
Fund Cash Balances, January 1	483,423	189,362	33,953	16,353	723,091
<b>Fund Cash Balances, December 31</b>	<u>\$ 450,311</u>	<u>\$ 195,527</u>	<u>\$ 33,494</u>	<u>\$ 4,506</u>	<u>\$ 683,838</u>
Reserve for Encumbrances, December 31	<u>\$ 24,424</u>	<u>\$ 2,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,029</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 CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 546,507
Fines, Licenses and Permits	6,516
Miscellaneous	1,345
Total Operating Cash Revenues	554,368
<b>Operating Cash Disbursements:</b>	
Personal Services	175,081
Contractual Services	79,661
Supplies and Materials	97,665
Capital Outlay	1,069,382
Total Operating Cash Disbursements	1,421,789
Operating Income (Loss)	(867,421)
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Note Proceeds	815,469
Intergovernmental	247,484
Redemption of Principal	(207,607)
Interest and Other Fiscal Charges	(22,093)
Total Non-Operating Cash Receipts/(Disbursements)	833,253
Net Receipts Over/(Under) Cash Disbursements	(34,168)
Fund Cash Balances, January 1	421,682
<b>Fund Cash Balances, December 31</b>	<b>\$ 387,514</b>
Reserve for Encumbrances, December 31	\$ 13,479

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 CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 29,827	\$ -	\$ -	\$ -	\$ 29,827
Municipal Income Taxes	426,803	64,493	-	-	491,296
Intergovernmental	113,449	-	-	-	113,449
Charges for Services	26,391	8,629	-	-	35,020
Fines, Licenses, and Permits	6,411	-	-	-	6,411
Earnings on Investments	11,204	105	-	-	11,309
Miscellaneous	3,000	26	-	-	3,026
<b>Total Cash Receipts</b>	<u>617,085</u>	<u>73,253</u>	<u>-</u>	<u>-</u>	<u>690,338</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	224,387	84	-	-	224,471
Public Health Services	9,881	-	-	-	9,881
Leisure Time Activities	-	95,278	-	-	95,278
Transportation	-	63,103	-	5,656	68,759
General Government	141,731	-	-	3,997	145,728
Debt Service:					
Redemption of Principal	1,954	-	3,632	11,009	16,595
Interest and Fiscal Charges	28	-	2,903	-	2,931
<b>Total Cash Disbursements</b>	<u>377,981</u>	<u>158,465</u>	<u>6,535</u>	<u>20,662</u>	<u>563,643</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>239,104</u>	<u>(85,212)</u>	<u>(6,535)</u>	<u>(20,662)</u>	<u>126,695</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Fixed Assets	1,000	-	-	-	1,000
Transfer-In	-	80,012	17,988	-	98,000
Transfer-Out	(98,000)	-	-	-	(98,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(97,000)</u>	<u>80,012</u>	<u>17,988</u>	<u>-</u>	<u>1,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	142,104	(5,200)	11,453	(20,662)	127,695
Fund Cash Balances, January 1	341,319	194,562	22,500	37,015	595,396
<b>Fund Cash Balances, December 31</b>	<u>\$ 483,423</u>	<u>\$ 189,362</u>	<u>\$ 33,953</u>	<u>\$ 16,353</u>	<u>\$ 723,091</u>
Reserve for Encumbrances, December 31	<u>\$ 60,805</u>	<u>\$ 1,612</u>	<u>\$ -</u>	<u>\$ 2,784</u>	<u>\$ 65,201</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 CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 583,639
Miscellaneous	5,584
Total Operating Cash Revenues	589,223
<b>Operating Cash Disbursements:</b>	
Personal Services	201,038
Contractual Services	74,476
Supplies and Materials	62,883
Capital Outlay	459,504
Total Operating Cash Disbursements	797,901
Operating Income (Loss)	(208,678)
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Note Proceeds	446,600
Redemption of Principal	(186,767)
Interest and Other Fiscal Charges	(33,135)
Other Financing Uses	(2,633)
Total Non-Operating Cash Receipts/(Disbursements)	224,065
Net Receipts Over/(Under) Cash Disbursements	15,387
Fund Cash Balances, January 1	406,295
<b>Fund Cash Balances, December 31</b>	<b>\$ 421,682</b>
Reserve for Encumbrances, December 31	\$ 13,279

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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, Ohio (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'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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**D. Fund Accounting**

**2. Special Revenue Funds (Continued)**

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 are used to accumulate resources for the payment of bonds and note indebtedness and are funded by transfers of municipal income tax proceeds. The Village had the following Debt Service Fund:

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). 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.

**4. 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 Fund:

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.

**E. Budgetary Process**

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**E. Budgetary Process (Continued)**

**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. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. 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.

**G. 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  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

The Village maintains a deposit 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:

	2010	2009
Demand deposits	\$ 275,619	\$ 353,220
Certificate of deposit	263,357	260,982
Total deposits	\$ 538,976	\$ 614,202
Money market	\$ 253,661	\$ 252,157
STAR Ohio	278,715	278,414
Total investments	\$ 532,376	\$ 530,571
Total deposits and investments	\$ 1,071,352	\$ 1,144,773

Deposits are insured by the Federal Depository 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, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 469,835	\$ 482,617	\$ 12,782
Special Revenue	148,525	170,330	21,805
Debt Service	19,000	17,089	(1,911)
Enterprise	1,918,400	1,617,321	(301,079)
Total	\$ 2,555,760	\$ 2,287,357	\$ (268,403)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 542,054	\$ 540,153	\$ 1,901
Special Revenue	172,404	166,770	5,634
Debt Service	17,548	17,548	-
Capital Projects	13,569	11,847	1,722
Enterprise	1,961,994	1,664,968	297,026
Total	\$ 2,707,569	\$ 2,401,286	\$ 306,283

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 515,837	\$ 618,085	\$ 102,248
Special Revenue	149,000	153,265	4,265
Debt Service	19,000	17,988	(1,012)
Enterprise	1,708,182	1,035,823	(672,359)
Total	\$ 2,392,019	\$ 1,825,161	\$ (566,858)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 564,837	\$ 536,786	\$ 28,051
Special Revenue	180,888	160,077	20,811
Debt Service	17,572	6,535	11,037
Capital Projects	24,968	23,446	1,522
Enterprise	1,791,654	1,033,715	757,939
Total	\$ 2,579,919	\$ 1,760,559	\$ 819,360

**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. 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  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

Name	Description	Principal Outstanding 12/31/08	Add	Ded	Principal Outstanding 12/31/09	Add	Ded	Principal Outstanding 12/31/10
USDA	Fire Truck Loan, 4.625%	\$ 62,768	\$ -	\$ 14,641	\$ 48,127	\$ -	\$ 15,322	\$ 32,805
Community First Bank	Police Cruiser Loan, 5.00%	1,954	-	1,954	-			
	Total Governmental Fund Type	\$ 64,722	\$ -	\$ 16,595	\$ 48,127	\$ -	\$ 15,322	\$ 32,805
OWDA	Loan #1563, 7.21%	\$ 81,393	\$ -	\$ 18,275	\$ 63,118	\$ -	\$ 19,592	\$ 43,526
OWDA	Community Asst Loan #3509, 1.50%	592,200	-	39,888	552,312	-	40,488	511,824
OWDA	Capitalization Grant Fund #3966, 0.00%	769,058	-	52,693	716,365	-	52,693	663,672
OWDA	New Water Plant Engineering #4445, 0.00%	34,875	-	3,875	31,000	-	3,875	27,125
OWDA	New Water Plant Engineering #4296, 0.00%	20,000	-	2,500	17,500	-	2,500	15,000
OWDA	Phase 4 Sewer, 0.00%, #5287	-	203,121	-	203,121	784,182	33,527	953,776

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. DEBT (Continued)**

Name	Description	Principal Outstanding			Principal Outstanding			Principal Outstanding
		12/31/08	Add	Ded	12/31/09	Add	Ded	
OWDA	Water Plant #4708, 0.00%	865,737	103,967	34,850	934,854	-	28,056	906,798
OWDA	Phase 3 Sewer, 0.00%	507,383	104,518	32,061	579,840	-	32,061	547,779
OPWC	Water Treatment Plant Improvements, 0.00%, CT41J	34,125	-	875	33,250	-	1,750	31,500
OPWC	Sanitary Sewer Collection Improvements Phase 3, 0.00%, CT62K	-	34,994	1,750	33,244	-	3,500	29,744
OPWC	Sanitary Sewer Collection Improvements Phase 4, 0.00%, CT52L	-	-	-	-	30,290	-	30,290
	Total Proprietary Fund Type	<u>\$ 2,904,771</u>	<u>\$ 446,600</u>	<u>\$ 186,767</u>	<u>\$ 3,164,604</u>	<u>\$ 814,472</u>	<u>\$ 218,042</u>	<u>\$ 3,761,034</u>
	Total Governmental and Proprietary	<u>\$ 2,969,493</u>	<u>\$ 446,600</u>	<u>\$ 203,365</u>	<u>\$ 3,212,728</u>	<u>\$ 814,472</u>	<u>\$ 233,364</u>	<u>\$ 3,793,836</u>

The prior audit did not include the outstanding loan balance of \$34,125 for OPWC Loan CT41J. During the audit period, OWDA did a principal cost adjustment on Loan #4708, lowering principal outstanding by \$10,435.

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 will be due January 1, 2013.

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  
DECEMBER 31, 2010 AND 2009  
(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 due 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 2006, the Village entered into a loan agreement with the Community First Bank to purchase a new police cruiser. The payments are made monthly beginning June 26, 2006. The final payment was paid in June 2009. The total loan amount is \$11,059 with monthly payments of \$331 and a fixed interest rate of 5%.

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 \$900,070 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.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. DEBT (Continued)**

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.

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 \$34,994 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 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.

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

Year ending December 31:	Principal	Interest	Total
2011	\$ 231,929	\$ 14,056	\$ 245,985
2012	285,293	23,800	309,093
2013	259,248	20,167	279,415
2014	249,239	18,050	267,289
2015	250,508	16,726	267,234
2016-2020	1,245,379	63,418	1,308,797
2021-2025	930,218	31,406	961,624
2026-2030	336,309	11,133	347,442
2031-2036	5,713	46	5,759
Total	<u>\$ 3,793,836</u>	<u>\$ 198,802</u>	<u>\$ 3,992,638</u>

**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.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. RETIREMENT SYSTEMS (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2010 and 2009, 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, 2010.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 retain 17.5% (15% through October 31, 2009) 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 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village participates in this coverage.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRRM and OPHC:

	<u>2009 OPRM</u>	<u>2009 OPHC</u>	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities Members'	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Equity	<u>\$ 6,323,701</u>	<u>\$ 105,185</u>	<u>\$ 6,428,886</u>	<u>\$ 5,184,333</u>

**9. CONTINGENT LIABILITIES**

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

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

June 13, 2011

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

To the Village Council:

We have audited the financial statements of **Village of Forest**, Hardin County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 13, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings, we identified a certain deficiency in internal control over financial reporting that we consider 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 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, providing an opinion 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 that 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 13, 2011.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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



**VILLAGE OF FOREST  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Material Weakness**

**Posting Receipts and Expenditures**

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

During 2010 and 2009, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Miscellaneous revenues were posted as Other Financing Sources
- Intergovernmental revenue was posted as Other Financing Sources
- Note proceeds were posted as Other Financing Sources
- Capital Outlay was posted as Other Financing Uses
- Principal and interest payments were posted as Other Financing Uses, Capital Outlay, and General Government
- Transfers-Out were posted as General Government
- Loan Proceeds from OWDA and OPWC were not fully recorded as Note Proceeds and Capital Outlay
- FEMA revenues and expenditures were posted in the General Fund

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications.

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, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC Section 5705.36 – Not amending estimated resources	No	Partially Corrected; Moved to the Management Letter
2008-002	ORC Section 5705.39 – Appropriations exceeding estimated resources	Yes	N/A
2008-003	ORC Section 5705.41(B) – Disbursements exceeding appropriations	No	Partially Corrected; Moved to the Management Letter
2008-004	ORC Section 5705.41(D)(1) – Expenditures not properly encumbered	No	Not Corrected; Moved to the Management Letter
2008-005	Accounting for Receipts and Expenditures	No	Not Corrected; Repeated as Finding 2010-001



# 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 6, 2011