

VILLAGE OF FORT RECOVERY

DAYTON REGION, MERCER COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

Village Council
Village of Fort Recovery
201 South Main Street
P. O. Box 340
Fort Recovery, Ohio 45846-0340

We have reviewed the *Independent Auditors' Report* of the Village of Fort Recovery, Mercer County, prepared by Manning & Associates CPAs, LLC, 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 Auditors' 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 Auditors' 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 Fort Recovery is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 28, 2011

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**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

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Manning & Associates Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

INDEPENDENT AUDITORS' REPORT

Village of Fort Recovery
Mercer County
201 South Main Street
PO Box 340
Fort Recovery, Ohio 45846-0340

To the Village Council:

We have audited the accompanying financial statements of the Village of Fort Recovery, Mercer 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 that 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 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.

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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, where applicable 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 of the Village of Fort Recovery, Mercer 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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 26, 2011

**VILLAGE OF FORT RECOVERY
MERCER 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> | | | | | Total (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | | | |
| Local Taxes | \$ 154,450 | \$ 177,853 | \$ 0 | \$ 0 | \$ 0 | \$ 332,303 |
| Municipal Income Tax | 999,294 | 0 | 0 | 0 | 0 | 999,294 |
| Intergovernmental Revenues | 109,469 | 57,118 | 0 | 632,279 | 0 | 798,866 |
| Special Assessments | 32,115 | 0 | 0 | 0 | 0 | 32,115 |
| Charges for Services | 5,500 | 24,647 | 0 | 0 | 0 | 30,147 |
| Fines, Licenses and Permits | 1,369 | 0 | 0 | 0 | 0 | 1,369 |
| Earnings on Investments | 5,294 | 149 | 0 | 0 | 45 | 5,488 |
| Miscellaneous | 5,962 | 20,044 | 0 | 0 | 0 | 26,006 |
| Total Cash Receipts | <u>1,313,453</u> | <u>279,811</u> | <u>0</u> | <u>632,279</u> | <u>45</u> | <u>2,225,588</u> |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | \$ 149,903 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 149,903 |
| Public Health Services | 10,088 | 12,769 | 0 | 0 | 0 | 22,857 |
| Leisure Time Activities | 0 | 83,998 | 0 | 0 | 0 | 83,998 |
| Community Environment | 772 | 3,618 | 0 | 0 | 0 | 4,390 |
| Basic Utility Services | 35 | 9,082 | 0 | 0 | 0 | 9,117 |
| Transportation | 0 | 185,014 | 0 | 0 | 0 | 185,014 |
| General Government | 297,078 | 0 | 0 | 0 | 0 | 297,078 |
| Capital Outlay | 0 | 0 | 0 | 2,293,832 | 0 | 2,293,832 |
| Debt Service: | | | | | | |
| Principal | 0 | 41,105 | 136,917 | 0 | 0 | 178,022 |
| Interest Charges | 0 | 0 | 6,203 | 0 | 0 | 6,203 |
| Total Cash Disbursements | <u>457,876</u> | <u>335,586</u> | <u>143,120</u> | <u>2,293,832</u> | <u>0</u> | <u>3,230,414</u> |
| Total Receipts Over/(Under) Disbursements | <u>855,577</u> | <u>(55,775)</u> | <u>(143,120)</u> | <u>(1,661,553)</u> | <u>45</u> | <u>(1,004,826)</u> |
| Other Financing Sources/(Uses): | | | | | | |
| Other Debt Proceeds | | | | 1,637,566 | | 1,637,566 |
| Transfers-In | 0 | 93,308 | 116,236 | 51,581 | 0 | 261,125 |
| Transfers-Out | (189,620) | 0 | 0 | (96,505) | 0 | (286,125) |
| Advance-In | 20,000 | 0 | 0 | 20,000 | 0 | 40,000 |
| Advance-Out | (20,000) | 0 | 0 | (20,000) | 0 | (40,000) |
| Other Financing Uses | 0 | 0 | 0 | (1,000) | 0 | (1,000) |
| Total Other Financing Receipts (Disbursements) | <u>(189,620)</u> | <u>93,308</u> | <u>116,236</u> | <u>1,591,642</u> | <u>0</u> | <u>1,611,566</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 665,957 | 37,533 | (26,884) | (69,911) | 45 | 606,740 |
| Fund Cash Balances, January 1, | <u>689,648</u> | <u>210,295</u> | <u>31,500</u> | <u>146,188</u> | <u>4,845</u> | <u>1,082,476</u> |
| Fund Cash Balances, December 31, | <u>\$ 1,355,605</u> | <u>\$ 247,828</u> | <u>\$ 4,616</u> | <u>\$ 76,277</u> | <u>4,890</u> | <u>\$ 1,689,216</u> |

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Proprietary Fund Types</u> | <u>Fiduciary Fund Types</u> | <u>Total (Memorandum Only)</u> |
|--|-----------------------------------|---------------------------------|--|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 464,179 | \$ 0 | \$ 464,179 |
| Miscellaneous | 25,914 | 0 | 25,914 |
| Total Operating Cash Receipts | <u>490,093</u> | <u>0</u> | <u>490,093</u> |
| Operating Cash Disbursements: | | | |
| Personal Service | \$ 180,731 | \$ 0 | \$ 180,731 |
| Travel Transportation | 386 | 0 | 386 |
| Contractual Services | 72,577 | 0 | 72,577 |
| Supplies and Materials | 85,653 | 0 | 85,653 |
| Capital Outlay | 28,106 | 0 | 28,106 |
| Total Operating Cash Disbursements | <u>367,453</u> | <u>0</u> | <u>367,453</u> |
| Operating Income/ (Loss) | <u>122,640</u> | <u>0</u> | <u>122,640</u> |
| Non-Operating Cash Disbursements: | | | |
| Redemption of Principal | (49,000) | 0 | (49,000) |
| Interest and Other Fiscal Charges | (18,450) | 0 | (18,450) |
| Other Financing Sources | 1,345 | 0 | 1,345 |
| Other Financing Uses | (585) | 0 | (585) |
| Total Non-Operating Cash Disbursements | <u>(66,690)</u> | <u>0</u> | <u>(66,690)</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | 55,950 | 0 | 55,950 |
| Transfers-In | 70,050 | 0 | 70,050 |
| Transfers-Out | <u>(45,050)</u> | <u>0</u> | <u>(45,050)</u> |
| Net Revenues Over/(Under) Expenses | 80,950 | 0 | 80,950 |
| Fund Cash Balances, January 1, | <u>281,700</u> | <u>116</u> | <u>281,816</u> |
| Fund Cash Balances, December 31, | <u><u>\$ 362,650</u></u> | <u><u>\$ 116</u></u> | <u><u>\$ 362,766</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF FORT RECOVERY
MERCER 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

| | Governmental Fund Types | | | | | Total (Memorandum Only) |
|--|-------------------------|--------------------|------------------|---------------------|--------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Permanent | |
| Cash Receipts: | | | | | | |
| Local Taxes | \$ 171,180 | \$ 159,686 | \$ 0 | \$ 0 | \$ 0 | \$ 330,866 |
| Municipal Income Tax | 667,163 | 0 | 0 | 0 | 0 | 667,163 |
| Intergovernmental Revenues | 117,045 | 59,572 | 0 | 0 | 0 | 176,617 |
| Special Assessments | 17,235 | 0 | 0 | 0 | 0 | 17,235 |
| Charges for Services | 5,625 | 24,186 | 0 | 0 | 0 | 29,811 |
| Fines, Licenses and Permits | 2,220 | 0 | 0 | 0 | 0 | 2,220 |
| Earnings on Investments | 10,481 | 345 | 0 | 0 | 66 | 10,892 |
| Miscellaneous | 10,511 | 24,990 | 0 | 0 | 1,000 | 36,501 |
| Total Cash Receipts | 1,001,460 | 268,779 | 0 | 0 | 1,066 | 1,271,305 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | \$ 148,450 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 148,450 |
| Public Health Services | 10,406 | 20,540 | 0 | 0 | 0 | 30,946 |
| Leisure Time Activities | 0 | 58,456 | 0 | 0 | 0 | 58,456 |
| Community Environment | 1,788 | 418 | 0 | 0 | 0 | 2,206 |
| Basic Utility Services | 35 | 8,436 | 0 | 0 | 0 | 8,471 |
| Transportation | 0 | 175,328 | 0 | 0 | 0 | 175,328 |
| General Government | 334,007 | 0 | 0 | 0 | 0 | 334,007 |
| Capital Outlay | 30,148 | 0 | 0 | 26,731 | 0 | 56,879 |
| Debt Service: | | | | | | |
| Principal | 0 | 44,178 | 43,023 | 0 | 0 | 87,201 |
| Interest Charges | 0 | 0 | 8,209 | 0 | 0 | 8,209 |
| Total Cash Disbursements | 524,834 | 307,356 | 51,232 | 26,731 | 0 | 910,153 |
| Total Receipts Over/(Under) Disbursements | 476,626 | (38,577) | (51,232) | (26,731) | 1,066 | 361,152 |
| Other Financing Sources/(Uses): | | | | | | |
| Sale of Fixed Assets | 505 | 0 | 0 | 16,871 | 0 | 17,376 |
| Other Debt Proceeds | 0 | 0 | 0 | 24,009 | 0 | 24,009 |
| Transfers-In | 0 | 49,539 | 51,232 | 0 | 0 | 100,771 |
| Transfers-Out | (175,771) | 0 | 0 | 0 | 0 | (175,771) |
| Advance-In | 10,290 | 0 | 0 | 10,290 | 0 | 20,580 |
| Advance-Out | (10,290) | 0 | 0 | (10,290) | 0 | (20,580) |
| Other Financing Uses | 0 | 0 | 0 | 0 | (218) | (218) |
| Total Other Financing Receipts (Disbursements) | (175,266) | 49,539 | 51,232 | 40,880 | (218) | (33,833) |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 301,360 | 10,962 | 0 | 14,149 | 848 | 327,319 |
| Fund Cash Balances, January 1, | 388,288 | 199,333 | 31,500 | 132,039 | 3,997 | 755,157 |
| Fund Cash Balances, December 31, | \$ 689,648 | \$ 210,295 | \$ 31,500 | \$ 146,188 | 4,845 | \$ 1,082,476 |

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>Proprietary Fund Types</u> | <u>Fiduciary Fund Types</u> | <u>Total (Memorandum Only)</u> |
|--|-----------------------------------|---------------------------------|--|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 429,822 | \$ 0 | \$ 429,822 |
| Miscellaneous | 18,662 | 0 | 18,662 |
| Total Operating Cash Receipts | <u>448,484</u> | <u>0</u> | <u>448,484</u> |
| Operating Cash Disbursements: | | | |
| Personal Service | \$ 168,121 | \$ 0 | \$ 168,121 |
| Travel Transportation | 562 | 0 | 562 |
| Contractual Services | 76,709 | 0 | 76,709 |
| Supplies and Materials | 86,343 | 0 | 86,343 |
| Capital Outlay | 65,266 | 0 | 65,266 |
| Total Operating Cash Disbursements | <u>397,001</u> | <u>0</u> | <u>397,001</u> |
| Operating Income/ (Loss) | <u>51,483</u> | <u>0</u> | <u>51,483</u> |
| Non-Operating Cash Disbursements: | | | |
| Sale of Fixed Assets | 15,150 | 0 | 15,150 |
| Redemption of Principal | (62,117) | 0 | (62,117) |
| Interest and Other Fiscal Charges | (24,419) | 0 | (24,419) |
| Other Financing Uses | (17,210) | 0 | (17,210) |
| Total Non-Operating Cash Disbursements | <u>(88,596)</u> | <u>0</u> | <u>(88,596)</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (37,113) | 0 | (37,113) |
| Transfers-In | 138,572 | 116 | 138,688 |
| Transfers-Out | (63,688) | 0 | (63,688) |
| Net Revenues Over/(Under) Expenses | 37,771 | 116 | 37,887 |
| Fund Cash Balances, January 1, | <u>243,929</u> | <u>0</u> | <u>243,929</u> |
| Fund Cash Balances, December 31, | <u><u>\$ 281,700</u></u> | <u><u>\$ 116</u></u> | <u><u>\$ 281,816</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

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**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 Fort Recovery, Mercer County, (the Village) as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village receives fire protection through the Southwest Fire District.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

The Village values certificates of deposit at cost.

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:

General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Special Revenue Funds:

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

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

Parks and Recreation Fund – This fund receives donations, fund raiser, shelter house fees, and income tax transfers to maintain and operate Village parks and recreation activities.

Street Levy Fund – This fund receives tax revenues from property tax levies for repairing, maintaining, and constructing streets within the Village.

Sewer Levy Fund – This fund receives tax revenue from property tax levies for repairing, maintaining, and constructing storm sewers within the Village.

Debt Service Funds:

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Industrial Park FHA Debt Service Fund – This fund is used to account for the retirement of bonds used to pay off a loan for the purchase of land for an industrial park site.

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 funds:

Elm and Wayne Street Sewer Reconstruction Fund – This fund received Ohio Public Works grant to provide funds for the reconstruction of a section of the Village street and infrastructure.

Permanent Funds:

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

The Village had the following significant permanent fund:

Cemetery Trust – This fund receives interest earned on the nonexpendable corpus from the trust agreement. These earnings are used for the general maintenance and upkeep of the 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 – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Funds (Trust and Agency Funds)

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

Unclaimed Funds – This fund receives monies when a check write to an individual is cancelled and the individual cannot be located for a new check to be reissued.

E. 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 or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

Estimated Resources

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

Encumbrances

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

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2010</u> | <u>2009</u> |
|-------------------------|--------------------|--------------------|
| Demand deposits | \$1,021,921 | \$532,675 |
| Certificates of deposit | 1,029,945 | 831,501 |
| Total deposits | <u>\$2,051,866</u> | <u>\$1,364,176</u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2010 was as follows:

2010 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|------------------------------|----------------------------|--------------------|
| General | \$ 1,332,345 | \$ 1,313,453 | \$ (18,892) |
| Special Revenue | 372,399 | 373,119 | 720 |
| Debt Service | 116,236 | 116,236 | 0 |
| Capital Projects | 2,319,696 | 2,321,426 | 1,730 |
| Permanent | 95 | 45 | (50) |
| Enterprise | 559,900 | 561,488 | 1,588 |
| Total | \$ 4,700,671 | \$ 4,685,767 | \$ (14,904) |

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General | \$ 733,835 | \$ 647,496 | \$ 86,339 |
| Special Revenue | 373,800 | 335,586 | 38,214 |
| Debt Service | 147,736 | 143,120 | 4,616 |
| Capital Projects | 2,408,449 | 2,391,337 | 17,112 |
| Permanent | 900 | 0 | 900 |
| Enterprise | 541,525 | 480,538 | 60,987 |
| Total | \$ 4,206,245 | \$ 3,998,077 | \$ 208,168 |

Budgetary activity for the year ending December 31, 2009 was as follows:

2009 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|------------------------------|----------------------------|-----------------|
| General | \$ 999,557 | \$ 1,001,965 | \$ 2,408 |
| Special Revenue | 315,267 | 318,318 | 3,051 |
| Debt Service | 51,232 | 51,232 | 0 |
| Capital Projects | 40,879 | 40,880 | 1 |
| Permanent | 66 | 1,066 | 1,000 |
| Enterprise | 600,764 | 602,206 | 1,442 |
| Total | \$ 2,007,765 | \$ 2,015,667 | \$ 7,902 |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General | \$ 979,360 | \$ 700,605 | \$ 278,755 |
| Special Revenue | 376,045 | 307,356 | 68,689 |
| Debt Service | 51,251 | 51,232 | 19 |
| Capital Projects | 30,077 | 26,731 | 3,346 |
| Permanent | 900 | 218 | 682 |
| Enterprise | 615,422 | 564,435 | 50,987 |
| Total | \$ 2,053,055 | \$ 1,650,577 | \$ 402,478 |

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

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

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

| | Principal | Interest Rate |
|------------------------|------------------|--------------------------|
| Mortgage Revenue Bonds | 418,000 | 5.-7.875% |
| Ohio Public Works | 542,967 | 0.00% |
| OWDA | 105,768 | 0.00% |
| OWDA | 1,183,506 | 1.37% |
| Total | <u>2,250,241</u> | |

OWDA loan has been approved for \$335,527; amount drawn at December 31, 2010 was \$239,978. Interest rate 0% for five years. Semi annual payments in the amount of \$33,553.

OWDA loan has been approved for \$1,566,000; amount drawn at December 31, 2010 was \$1,183,506. Interest rate 1.37% for three years. A onetime payment is due on February 25, 2013.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

6. DEBT (Continued)

Mortgage Revenue Bonds were for the purpose of water plant facility. Interest rates vary from 5 to 7.875% over term of the loan. Final payment 2023.

Ohio Public Works consists of three loans one for the purpose of street construction and the other two for storm sewer. Semi annual payments are \$1,866, \$2,750 and \$10,223, respectively.

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

| <u>Year Ending December 31:</u> | <u>Mortgage Revenue Bonds</u> | | <u>OPWC</u> | | <u>OWDA</u> | |
|-------------------------------------|-----------------------------------|-------------------|-------------------|---------------------|------------------|--|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Principal</u> | <u>Interest</u> | |
| 2011 | \$ 24,000 | \$ 20,900 | \$ 19,455 | \$ 33,553 | \$ 0 | |
| 2012 | 25,000 | 19,700 | 29,677 | 67,105 | 0 | |
| 2013 | 26,000 | 18,450 | 29,677 | 1,188,616 | 41,300 | |
| 2014 | 27,000 | 17,150 | 29,677 | 0 | 0 | |
| 2015 | 29,000 | 15,800 | 29,677 | 0 | 0 | |
| 2016 – 2020 | 166,000 | 55,900 | 148,386 | 0 | 0 | |
| 2021 – 2025 | 121,000 | 12,350 | 134,636 | 0 | 0 | |
| 2025 – 2030 | 0 | 0 | 111,558 | 0 | 0 | |
| 2031 – 2035 | 0 | 0 | 10,224 | 0 | 0 | |
| Total | <u>\$ 418,000</u> | <u>\$ 160,250</u> | <u>\$ 542,967</u> | <u>\$ 1,289,274</u> | <u>\$ 41,300</u> | |

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contributions rates. For 2010 and 2009, OP&F participants contributed 10.1 percent of their wages and the Village contributed an amount equal to 19.5 percent of covered payroll for police officers. For 2010 and 2009, OPERS members contributed 10 percent their gross salaries and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

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

8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village contracted with Arch Insurance through the Webb Insurance Agency to provide property and casualty coverage with coverage as follows:

| <u>Type of Coverage</u> | <u>Amount of Coverage</u> |
|----------------------------|---------------------------|
| Legal Liability | \$1,000,000 |
| Automobile Liability | 1,000,000 |
| Law Enforcement Operations | 1,000,000 |
| Wrongful Acts | 1,000,000 |
| Property | 3,000,000 |
| Umbrella | 3,000,000 |

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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. The System administers and pays all claims.

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Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

INDEPENDENT AUDITORS' 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 South Main Street
PO Box 340
Fort Recovery, Ohio 45846-0340

To the Village Council:

We have audited the financial statements of the Village of Fort Recovery, Mercer County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 26, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 opinion 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.

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider material weaknesses as defined above.

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On CPAs@
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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 intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 26, 2011



Dave Yost • Auditor of State

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 12, 2011