



Dave Yost • Auditor of State



VILLAGE OF FORT RECOVERY  
MERCER COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Fort Recovery  
Mercer County  
201 South Main Street  
P.O. Box 340  
Fort Recovery, Ohio 45846

To the Village Council:

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

We have audited the accompanying financial statements and related notes of Village of Fort Recovery, Mercer County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 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, to satisfy requirements.

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position and cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Fort Recovery, Mercer County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As described in Note 2, Village of Fort Recovery restated the beginning fund balances for Special Revenue Fund Type and Enterprise Fund Type as of January 1, 2012. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 8, 2014

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$134,770	\$108,120				\$242,890
Municipal Income Tax	1,081,767					1,081,767
Intergovernmental	53,556	119,435				172,991
Special Assessments	24,519					24,519
Charges for Services	45,214					45,214
Fines, Licenses and Permits	2,602					2,602
Earnings on Investments	7,018	176			\$7	7,201
Miscellaneous	72,169	916		\$28		73,113
Total Cash Receipts	<u>1,421,615</u>	<u>228,647</u>		<u>28</u>	<u>7</u>	<u>1,650,297</u>
<b>Cash Disbursements:</b>						
<b>Current:</b>						
Security of Persons and Property	134,239	75				134,314
Public Health Services	32,626				103	32,729
Leisure Time Activities	101,006					101,006
Community Environment	2,122					2,122
Basic Utility Services	75	5,607				5,682
Transportation		147,064				147,064
General Government	331,913			794		332,707
Capital Outlay	44,315	101,920				146,235
<b>Debt Service:</b>						
Principal Retirement		10,000	\$9,232			19,232
Total Cash Disbursements	<u>646,296</u>	<u>264,666</u>	<u>9,232</u>	<u>794</u>	<u>103</u>	<u>921,091</u>
Excess of Receipts Over (Under) Disbursements	<u>775,319</u>	<u>(36,019)</u>	<u>(9,232)</u>	<u>(766)</u>	<u>(96)</u>	<u>729,206</u>
<b>Other Financing Receipts (Disbursements):</b>						
Sale of Capital Assets				25,750		25,750
Transfers In		101,560	9,232			110,792
Transfers Out	(1,110,363)					(1,110,363)
Total Other Financing Receipts (Disbursements)	<u>(1,110,363)</u>	<u>101,560</u>	<u>9,232</u>	<u>25,750</u>		<u>(973,821)</u>
Net Change in Fund Cash Balances	(335,044)	65,541		24,984	(96)	(244,615)
Fund Cash Balances, January 1	<u>2,044,196</u>	<u>141,695</u>		<u>26,485</u>	<u>4,959</u>	<u>2,217,335</u>
<b>Fund Cash Balances, December 31:</b>						
Non-spendable	238				4,000	4,238
Restricted		207,236				207,236
Committed	21,790			51,469		73,259
Assigned					863	863
Unassigned (Deficit)	1,687,124					1,687,124
Fund Cash Balances, December 31	<u>\$1,709,152</u>	<u>\$207,236</u>	<u>\$0</u>	<u>\$51,469</u>	<u>\$4,863</u>	<u>\$1,972,720</u>

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$505,675
Fines, Licenses and Permits	1,322
Total Operating Cash Receipts	<u>506,997</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	114,625
Employee Fringe Benefits	36,653
Contractual Services	121,828
Supplies and Materials	78,711
Claims	387
Total Operating Cash Disbursements	<u>352,204</u>
Operating Income (Loss)	<u>154,793</u>
<b>Non-Operating Receipts (Disbursements):</b>	
Miscellaneous Receipts	3,336
Capital Outlay	(87,436)
Principal Retirement	(121,555)
Interest and Other Fiscal Charges	(13,542)
Total Non-Operating Receipts (Disbursements)	<u>(219,197)</u>
Income (Loss) before Transfers	(64,404)
Transfers In	<u>999,571</u>
Net Change in Fund Cash Balances	935,167
Fund Cash Balances, January 1	<u>432,695</u>
Fund Cash Balances, December 31	<u><u>\$1,367,862</u></u>

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



**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$129,185	\$107,533				\$236,718
Municipal Income Tax	796,931					796,931
Intergovernmental	132,257	113,670				245,927
Special Assessments	36,864					36,864
Charges for Services	52,324	1,110				53,434
Fines, Licenses and Permits	1,547					1,547
Earnings on Investments	7,323	120			\$35	7,478
Miscellaneous	50,490	1,426		\$150		52,066
Total Cash Receipts	<u>1,206,921</u>	<u>223,859</u>		<u>150</u>	<u>35</u>	<u>1,430,965</u>
<b>Cash Disbursements</b>						
<b>Current:</b>						
Security of Persons and Property	136,999	2,665				139,664
Public Health Services	32,235					32,235
Leisure Time Activities	109,483					109,483
Community Environment	2,900					2,900
Basic Utility Services	15	10,818				10,833
Transportation		140,971				140,971
General Government	334,205					334,205
Capital Outlay	36,215	160,187				196,402
<b>Debt Service:</b>						
Principal Retirement		13,662	\$9,232			22,894
Total Cash Disbursements	<u>652,052</u>	<u>328,303</u>	<u>9,232</u>			<u>989,587</u>
Excess of Receipts Over (Under) Disbursements	<u>554,869</u>	<u>(104,444)</u>	<u>(9,232)</u>	<u>150</u>	<u>35</u>	<u>441,378</u>
<b>Other Financing Receipts (Disbursements):</b>						
Transfers In		50,000	9,232			59,232
Transfers Out	(266,732)					(266,732)
Total Other Financing Receipts (Disbursements)	<u>(266,732)</u>	<u>50,000</u>	<u>9,232</u>			<u>(207,500)</u>
Net Change in Fund Cash Balances	288,137	(54,444)		150	35	233,878
Fund Cash Balances, January 1(Restated)	<u>1,756,059</u>	<u>196,139</u>		<u>26,335</u>	<u>4,924</u>	<u>1,983,457</u>
<b>Fund Cash Balances, December 31:</b>						
Non-spendable	134				4,000	4,134
Restricted		141,695				141,695
Committed				26,485		26,485
Assigned					959	959
Unassigned (Deficit)	2,044,062					2,044,062
Fund Cash Balances, December 31	<u>\$2,044,196</u>	<u>\$141,695</u>	<u>\$0</u>	<u>\$26,485</u>	<u>\$4,959</u>	<u>\$2,217,335</u>

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$514,302
Fines, Licenses and Permits	2,350
Total Operating Cash Receipts	<u>516,652</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	113,125
Employee Fringe Benefits	36,285
Contractual Services	74,672
Supplies and Materials	86,875
Claims	319
Other	9
Total Operating Cash Disbursements	<u>311,285</u>
Operating Income (Loss)	<u>205,367</u>
<b>Non-Operating Receipts (Disbursements):</b>	
Sale of Bonds	369,000
Miscellaneous Receipts	3,077
Capital Outlay	(300,852)
Principal Retirement	(472,424)
Interest and Other Fiscal Charges	(64,106)
Total Non-Operating Receipts (Disbursements)	<u>(465,305)</u>
Income (Loss) before Transfers	(259,938)
Transfers In	<u>207,500</u>
Net Change in Fund Cash Balances	(52,438)
Fund Cash Balances, January 1 (Restated)	<u>485,133</u>
Fund Cash Balances, December 31	<u><u>\$432,695</u></u>

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

**VILLAGE OF FOR RECOVERY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 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.

**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.

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:

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**Street Levy** – This fund receives funds 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.

**VILLAGE OF FOR RECOVERY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**Storm Levy** – This fund receives funds from a storm sewer levy that is paid by Village residents through their real estate taxes. Funds are used for construction repair and maintenance of the Storm Sewer.

**3. Debt Service Funds**

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

**Hickory Circle Debt Service Fund** – This fund receives funds from the General Fund to fund repayment of this debt.

**George St Debt Service Fund** – This fund receives funds from the General Fund to fund repayment of this debt.

**4. Capital Project Funds**

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

**Industrial Park Improvement Fund** – This fund is used to pay for maintenance and park improvements.

**5. 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** – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

**6. 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.

**Sewer User Fee Fund** – This fund receives charges for services debt repayment. Funds are used for debt repayment.

**VILLAGE OF FOR RECOVERY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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 re-appropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

**F. 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:

**1. Non-spendable**

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

**2. Restricted**

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

**3. Committed**

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

**VILLAGE OF FOR RECOVERY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. RESTATEMENT OF FUND BALANCE**

The restatement of the January 1, 2012 fund balance was required between the Special Revenue and Enterprise Funds due to an error in the classification of the Storm Sewer Levy Fund in the prior audit. The reclassification had the following effect on the fund balances as previously reported by the Village:

	<u>Fund Balance at January 1, 2012</u>	<u>Change in Fund Structure</u>	<u>Adjusted Fund Balance at January 1, 2012</u>
Special Revenue	\$159,985	\$36,154	\$196,139
Enterprise	\$521,287	(\$36,154)	\$485,133

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

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

**VILLAGE OF FOR RECOVERY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)**

	<b>2013</b>	<b>2012</b>
Demand deposits	\$22,853	\$8,482
Certificates of deposit	1,737,361	1,335,801
Other time deposits (savings and NOW accounts)	1,580,368	1,305,747
Total deposits	3,340,582	2,650,030

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,417,780	\$1,421,615	\$3,835
Special Revenue	329,856	330,207	351
Debt Service	9,232	9,232	
Capital Projects	25,778	25,778	
Enterprise	1,559,801	1,509,904	(49,897)
Permanent	7	7	
Total	\$3,342,454	\$3,296,743	(\$45,711)

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,758,966	\$1,756,915	\$2,051
Special Revenue	264,683	264,666	17
Debt Service	9,232	9,232	
Capital Projects	795	794	1
Enterprise	627,060	574,737	52,323
Permanent	103	103	
Total	\$2,660,839	\$2,606,447	\$54,392

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,365,320	\$1,206,921	(\$158,399)
Special Revenue	271,467	273,859	2,392
Debt Service	9,232	9,232	
Capital Projects	150	150	
Enterprise	1,238,205	1,096,229	(141,976)
Permanent	35	35	
Total	\$2,884,409	\$2,586,426	(\$297,983)

**VILLAGE OF FOR RECOVERY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

<b>2012 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,094,276	\$918,784	\$175,492
Special Revenue	334,438	329,053	5,385
Debt Service	9,232	9,232	
Capital Projects			
Enterprise	1,375,410	1,217,090	158,320
Permanent			
Total	\$2,813,356	\$2,474,159	\$339,197

**5. 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.

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

**6. LOCAL INCOME TAX**

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.

**7. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Second National Bank	\$337,825	3.6%
Rural Development Mortgage Revenue Bonds	1,523,800	3.0%
Ohio Public Works Commission Loans	672,672	0.0%
Total	\$2,534,297	

The Second National Bank Tax Exempt Bond was obtained on November 29, 2012 to refinance the Berkadia Mortgage Revenue Bond. This was originally for the 1984 Water Plant Construction. Rural Development approved \$774,000 in bonds to the Village for this project. The Village will make annual installments per the amortization schedule including interest over 10 years. This bond is collateralized by Village owned real estate and is repaid with revenue from the Water Revenue Fund.



**VILLAGE OF FOR RECOVERY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. DEBT (Continued)**

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. These bonds paid off an interim loan which was financed by Ohio Water Development Authority. The Village will repay these bonds in annual payments per the amortization schedule, which includes interest. The Village will charge a monthly fee of \$11 paid by each village sewer customer to cover the bond payments in the Sewer User Fee Fund. The Sewer User Fee Fund carried a balance of \$43,150 on December 31, 2013. An amount equal to 10% of the annual payment will be set aside each year until an amount equal to the annual payment has been reached.

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 at December 31, 2013 is \$28,000 and \$4,805, respectively.

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

**OPWC Loan CM02K** 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 payments of \$2,750. The payments are made with General 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.

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

Year ending December 31:	Mortgage Revenue Bonds	OPWC Loans	Second National Bank
2014	\$67,714	\$20,928	\$44,718
2015	67,754	41,856	44,718
2016	67,773	41,856	44,718
2017	67,671	41,856	44,718
2018	67,751	41,856	44,718
2019-2023	338,833	206,530	178,870
2024-2028	338,730	179,916	
2029-2033	338,692	97,874	
2034-2038	338,767		
2039-2043	338,716		
2044-2048	338,804		
2049-2051	203,210		
Total	<u>\$2,574,415</u>	<u>\$672,672</u>	<u>\$402,460</u>

**VILLAGE OF FOR RECOVERY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and until July 4, 2013, OP&F participants contributed 10% of their wages. Beginning with July 5, 2013, the rate increased to 10.75% of their wages. For 2013 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, 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, 2013.

**9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance with Erie insurance through Fort Recovery Insurance Agency for the following risk:

• Property Blanket Buildings and Contents	\$9,482,146
• Liability	\$1,000,000
• Equipment	\$ 250,000
• Software	\$ 40,000
• Commercial Umbrella	\$1,000,000
• Public Officials and Employee Liability	\$1,000,000
• Law Enforcement Liability	\$1,000,000



# Dave Yost • Auditor of State

## 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 South Main Street  
P.O. 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 Village of Fort Recovery, Mercer County, (the Village) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. Also as disclosed in Note 2, the Village restated the fund balances for their Special Revenue Fund Type and Enterprise Fund Type as of January 1, 2012.

### ***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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

April 8, 2014

VILLAGE OF FORT RECOVERY  
MERCER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Classification of Revenues and Expenditures	Yes	

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# 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  
MAY 8, 2014**