



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF FOREST
HARDIN COUNTY
DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Forest, Hardin County, (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 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 (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Forest, Hardin County as of December 31, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 16, 2020

VILLAGE OF FOREST, HARDIN COUNTY

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$25,218				\$25,218
Municipal Income Tax	412,464				412,464
Intergovernmental	26,705	\$102,597			129,302
Charges for Services	11,706	4,305			16,011
Fines, Licenses and Permits	15,036				15,036
Earnings on Investments	6,395	3,540			9,935
Miscellaneous	6,209	2,360			8,569
<i>Total Cash Receipts</i>	<u>503,733</u>	<u>112,802</u>			<u>616,535</u>
Cash Disbursements					
Current:					
Security of Persons and Property	261,599	289			261,888
Public Health Services	3,936				3,936
Leisure Time Activities		102,280			102,280
Transportation		84,866			84,866
General Government	145,042				145,042
Capital Outlay	39,675			\$3,502	43,177
<i>Total Cash Disbursements</i>	<u>450,252</u>	<u>187,435</u>	<u>-</u>	<u>3,502</u>	<u>641,189</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,481</u>	<u>(74,633)</u>	<u>-</u>	<u>(3,502)</u>	<u>(24,654)</u>
Other Financing Receipts (Disbursements)					
Transfers In		78,871			78,871
Transfers Out	(78,871)				(78,871)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(78,871)</u>	<u>78,871</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Cash Balances	(25,390)	4,238	-	(3,502)	(24,654)
<i>Fund Cash Balances, January 1</i>	<u>92,228</u>	<u>212,920</u>	<u>\$67,957</u>	<u>26,855</u>	<u>399,960</u>
Fund Cash Balances, December 31					
Restricted		113,741			113,741
Committed		103,417		23,353	126,770
Assigned	59,897		67,957		127,854
Unassigned	6,941				6,941
<i>Fund Cash Balances, December 31</i>	<u>\$66,838</u>	<u>\$217,158</u>	<u>\$67,957</u>	<u>\$23,353</u>	<u>\$375,306</u>

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

VILLAGE OF FOREST, HARDIN COUNTY

Combined Statement of Receipts, Disbursements, and Change in Fund Balances (Cash Basis)
Proprietary Fund Type
 For the Year Ended December 31, 2018

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$655,816
Miscellaneous	1,140
<i>Total Operating Cash Receipts</i>	<u>656,956</u>
Operating Cash Disbursements	
Personal Services	154,238
Fringe Benefits	55,413
Contractual Services	151,262
Supplies and Materials	36,262
Other	790
<i>Total Operating Cash Disbursements</i>	<u>397,965</u>
<i>Operating Income</i>	<u>258,991</u>
Non-Operating (Disbursements)	
Capital Outlay	(8,500)
Principal Retirement	(224,327)
Interest and Other Fiscal Charges	(15,418)
<i>Total Non-Operating (Disbursements)</i>	<u>(248,245)</u>
Net Change in Fund Cash Balances	10,746
<i>Fund Cash Balances, January 1</i>	<u>556,580</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$567,326</u></u>

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, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in two jointly governed organizations and a public entity risk pool. Notes 9 and 10 to the financial statements provides additional information for these organizations. These organizations are:

1. Jointly Governed Organizations

Hardin County Regional Planning Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

Jackson-Forest Ambulance District - provides emergency medical and ambulance services within the District.

2. Public Entity Risk Pool

Public Entities Pool of Ohio (PEP) provides property and casualty coverage.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

D. Basis of Presentation

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

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, committed, or assigned to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Park and Recreation Fund - This fund received grants and general fund transfers to fund operations of the park.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and notes indebtedness and is funded by transfers of municipal income tax proceeds from the General Fund.

4. Capital Project Funds

These funds account for monies transferred from the General Fund for the purpose of acquiring or constructing capital projects.

5. Enterprise Funds

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

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

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

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

VILLAGE OF FOREST
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(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 and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2018 budgetary activity appears in Note 3.

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 *non-spendable* 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 Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF FOREST
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(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. This also includes subsequent year appropriations in excess of estimated receipts.

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. Capital Assets

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

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. **EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<u>2018</u>
Demand deposits	\$489,863
Certificates of deposit	266,886
Total deposits	<u>\$756,749</u>
STAR Ohio	185,883
Total Investments	<u>\$185,883</u>
Total Deposits and Investments	<u><u>\$942,632</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$550,578	\$503,733	(\$46,845)
Special Revenue	217,063	191,673	(25,390)
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	652,600	656,956	4,356
Total	<u>\$1,420,241</u>	<u>\$1,352,362</u>	<u>(\$67,879)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$543,428	\$549,425	(\$5,997)
Special Revenue	265,563	187,435	78,128
Debt Service	55,000	0	55,000
Capital Projects	19,400	3,502	15,898
Enterprise	704,185	646,210	57,975
Total	<u>\$1,587,576</u>	<u>\$1,386,572</u>	<u>\$201,004</u>

Actual expenditures exceeded appropriations in the General Fund as a result of an audit adjustment to move expenditures that were appropriated in the Debt Service Fund to the General Fund.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due 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.

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 one and one quarter (1.25) 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 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 the declaration annually.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

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

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

7. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

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

8. DEBT

Debt outstanding at December 31, 2018, was as follows:

Loan Description	Principal Balance	Interest Rate
Ohio Water Development Authority #4708	\$686,919	1.5%
Ohio Water Development Authority #3509	165,184	1.5%
Ohio Water Development Authority #3966	276,698	0%
Ohio Water Development Authority #4827	298,268	0%
Ohio Water Development Authority #5287	567,699	0%
Ohio Water Development Authority #7453	86,467	2.13%
Ohio Public Works Commission #CT41J	16,625	0%
Ohio Public Works Commission #CT52L	17,415	0%
Ohio Public Works Commission #CP46T	129,628	0%
Ohio Public Works Commission #CP39Q	18,444	0%
Total	\$2,263,347	

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

Ohio Water Development Authority (OWDA) loan #4708 with an original amount of \$1,004,037 relates to a new water treatment plant project. The Village will repay the loan in semiannual installments of \$20,842, including interest, over 30 years from 2008 through 2038. Water receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #3509 with an original amount of \$837,435 relates to a phase 1 waste water collection system improvement project. The Village will repay the loan in semiannual installments of \$24,311, including interest, over 20 years from 2003 through 2022. Sewer receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #3966 with an original amount of \$1,006,176 relates to a phase 2 sewer separation project. The Village will repay the loans in semiannual installments of \$25,154, over 20 years from 2005 through 2024. Sewer receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #4827 with an original amount of \$627,932 relates to a phase 3 waste water collection system improvement project. The Village will repay the loans in semiannual installments of \$15,698, over 20 years from 2009 through 2028. Sewer receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #5287 with an original amount of \$987,303 relates to a phase 4 sanitary sewer separation project. The Village will repay the loan in semiannual installments of \$24,683 over 20 years from 2011 through 2030. Sewer receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #7453 with an original amount of \$91,417 relates to a radio read water meter project. The Village will repay the loan in semiannual installments of \$2,092, including interest, over 30 years from 2017 through 2046. Water receipts collateralize the loan.

The Ohio Public Works Commission (OPWC) loan CT41J with an original amount of \$35,000 relates to a water treatment plant improvement project. The Village will repay the loan in semiannual installments of \$875, over 20 years from 2018 through 2037. The loan is collateralized by water receipts.

The Ohio Public Works Commission (OPWC) loan CT52L with an original amount of \$30,290 relates to a sanitary sewer collection system improvements project. The Village will repay the loan in semiannual installments of \$757, over 20 years from 2011 through 2030. The loan is collateralized by sewer receipts.

The Ohio Public Works Commission (OPWC) loan CP46T with an original amount of \$136,4551 relates to a Village wide water distribution system replacement project. The Village will repay the loan in semiannual installments of \$3,411, over 20 years from 2018 through 2037. The loan is collateralized by water receipts.

The Ohio Public Works Commission (OPWC) loan CP39Q with an original amount of \$21,282 relates to a water transmission main replacement and looping project. The Village will repay the loan in semiannual installments of \$355, over 30 years from 2015 through 2044. The loan is collateralized by water receipts.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

Amortization of the above debt, including interest, is:

Year Ending December 31:	Ohio Water Development Authority (OWDA) Loans	Ohio Public Works Commission (OPWC) Loans	Total
2019	\$225,561	\$10,796	\$236,357
2020	225,561	10,796	236,357
2021	225,561	10,796	236,357
2022	201,250	10,796	212,046
2023	176,939	10,796	187,735
2024-2028	642,606	53,107	695,713
2029-2033	303,389	39,932	343,321
2034-2038	187,658	30,837	218,495
2039-2043	20,920	3,547	24,467
2044-2046	10,460	709	11,169
Total	<u>\$2,219,905</u>	<u>\$182,112</u>	<u>\$2,402,017</u>

9. RISK POOL MEMBERSHIP

The Village is a member of the Public Entities Pool of Ohio (PEP). PEP assumes the risk of loss up to the limits of the Village's policy. PEP covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

PEP reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

10. JOINTLY GOVERNED ORGANIZATIONS

A. The Hardin County Regional Planning Commission – (the Commission) is a jointly governed entity between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, and of which may hold any other public office. The Village is represented by one member.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

- B. The Jackson-Forest Ambulance District** – (the District) is a jointly governed entity governed by a three-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Jackson Township, the Village of Forest and the Village of Patterson. The District provides ambulance services within the District and by contract to areas outside the District. Financial information can be obtained from Karin Bash, Fiscal Officer at 1699 Township Road 195, Forest, Ohio 45843.

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VILLAGE OF FOREST, HARDIN COUNTY

Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$26,895				\$26,895
Municipal Income Tax	388,887				388,887
Intergovernmental	92,985	\$67,483			160,468
Charges for Services	12,848	4,652			17,500
Fines, Licenses and Permits	7,447				7,447
Earnings on Investments	4,024	1,796			5,820
Miscellaneous	10,164				10,164
<i>Total Cash Receipts</i>	<u>543,250</u>	<u>73,931</u>			<u>617,181</u>
Cash Disbursements					
Current:					
Security of Persons and Property	292,219	1,139			293,358
Public Health Services	3,982				3,982
Leisure Time Activities		89,529			89,529
Transportation		50,630			50,630
General Government	166,306				166,306
Capital Outlay	7,241				7,241
Debt Service:					
Principal Retirement			13,759		13,759
Interest and Fiscal Charges			153		153
<i>Total Cash Disbursements</i>	<u>469,748</u>	<u>141,298</u>	<u>13,912</u>		<u>624,958</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>73,502</u>	<u>(67,367)</u>	<u>(13,912)</u>		<u>(7,777)</u>
Other Financing Receipts (Disbursements)					
Transfers In		73,990	6,362	25,449	105,801
Transfers Out	(105,800)				(105,800)
Other Financing Sources		8,254			8,254
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(105,800)</u>	<u>82,244</u>	<u>6,362</u>	<u>25,449</u>	<u>8,255</u>
Net Change in Fund Cash Balances	(32,298)	14,877	(7,550)	25,449	478
<i>Fund Cash Balances, January 1</i>	<u>124,526</u>	<u>198,043</u>	<u>75,507</u>	<u>1,406</u>	<u>399,482</u>
Fund Cash Balances, December 31					
Restricted		94,225			94,225
Committed		118,695		26,855	145,550
Assigned	13,668		67,957		81,625
Unassigned	78,560				78,560
<i>Fund Cash Balances, December 31</i>	<u>\$92,228</u>	<u>\$212,920</u>	<u>\$67,957</u>	<u>\$26,855</u>	<u>\$399,960</u>

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

VILLAGE OF FOREST, HARDIN COUNTY

Combined Statement of Receipts, Disbursements, and Change in Fund Balances (Cash Basis)
Proprietary Fund Type
 For the Year Ended December 31, 2017

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$658,058
Miscellaneous	1,180
	<hr/>
<i>Total Operating Cash Receipts</i>	659,238
	<hr/>
Operating Cash Disbursements	
Personal Services	134,684
Fringe Benefits	49,181
Contractual Services	136,143
Supplies and Materials	52,069
Other	967
	<hr/>
<i>Total Operating Cash Disbursements</i>	373,044
	<hr/>
<i>Operating Income</i>	286,194
	<hr/>
Non-Operating Receipts (Disbursements)	
Intergovernmental	135,000
Other Debt Proceeds	227,469
Capital Outlay	(448,514)
Principal Retirement	(220,194)
Interest and Other Fiscal Charges	(16,801)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	(323,040)
	<hr/>
Net Change in Fund Cash Balances	(36,846)
	<hr/>
<i>Fund Cash Balances, January 1</i>	593,426
	<hr/>
<i>Fund Cash Balances, December 31</i>	\$556,580
	<hr/> <hr/>

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, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in two jointly governed organizations and a public entity risk pool. Notes 9 and 10 to the financial statements provides additional information for these organizations. These organizations are:

1. Jointly Governed Organizations

Hardin County Regional Planning Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

Jackson-Forest Ambulance District - provides emergency medical and ambulance services within the District.

2. Public Entity Risk Pool

Public Entities Pool of Ohio (PEP) provides property and casualty coverage.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

D. Basis of Presentation

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

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, committed, or assigned to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Park and Recreation Fund - This fund received grants and general fund transfers to fund operations of the park.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and notes indebtedness and is funded by transfers of municipal income tax proceeds from the General Fund. The Village's Debt Service Fund was used to retire debt related to the refuse truck, police cruiser and property. These debts were paid off in 2017 and the transfers stopped.

4. Capital Project Funds

These funds account for monies transferred from the General Fund for the purpose of acquiring or constructing capital projects.

5. Enterprise Funds

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

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

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

VILLAGE OF FOREST
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

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.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2017 budgetary activity appears in Note 3.

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 *non-spendable* 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 Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(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. This also includes subsequent year appropriations in excess of estimated receipts.

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. Capital Assets

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

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. EQUITY IN POOLED DEPOSITS

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:

	2017
Demand deposits	\$507,701
Certificates of deposit	266,544
Total deposits	<u>\$774,245</u>
STAR Ohio	182,295
Total Investments	<u>\$182,295</u>
Total Deposits and Investments	<u>\$956,540</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$573,412	\$543,250	(\$30,162)
Special Revenue	360,070	156,175	(203,895)
Debt Service	16,000	6,362	(9,638)
Capital Projects	60,800	25,449	(35,351)
Enterprise	1,089,000	1,021,707	(67,293)
Total	\$2,099,282	\$1,752,943	(\$346,339)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$674,581	\$589,216	\$85,365
Special Revenue	378,029	141,298	236,731
Debt Service	21,161	13,912	7,249
Capital Projects	60,800	0	60,800
Enterprise	1,181,783	1,058,553	123,230
Total	\$2,316,354	\$1,802,979	\$513,375

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due 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.

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 one and one quarter (1.25) 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 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 the declaration annually.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

7. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

8. DEBT

Debt outstanding at December 31, 2017, was as follows:

Loan Description	Principal Balance	Interest Rate
Ohio Water Development Authority #4708	\$717,949	1.5%
Ohio Water Development Authority #3509	210,813	1.5%
Ohio Water Development Authority #3966	327,007	0%
Ohio Water Development Authority #4827	329,664	0%
Ohio Water Development Authority #5287	617,065	0%
Ohio Water Development Authority #7453	88,766	2.13%
Ohio Public Works Commission #CT62K	3,500	0%
Ohio Public Works Commission #CT41J	18,375	0%
Ohio Public Works Commission #CT52L	18,931	0%
Ohio Public Works Commission #CP46T	136,451	0%
Ohio Public Works Commission #CP39Q	19,153	0%
Total	\$2,487,674	

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

Ohio Water Development Authority (OWDA) loan #4708 with an original amount of \$1,004,037 relates to a new water treatment plant project. The Village will repay the loan in semiannual installments of \$20,842, including interest, over 30 years from 2008 through 2038. Water receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #3509 with an original amount of \$837,435 relates to a phase 1 waste water collection system improvement project. The Village will repay the loan in semiannual installments of \$24,311, including interest, over 20 years from 2003 through 2022. Sewer receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #3966 with an original amount of \$1,006,176 relates to a phase 2 sewer separation project. The Village will repay the loans in semiannual installments of \$25,154, over 20 years from 2005 through 2024. Sewer receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #4827 with an original amount of \$627,932 relates to a phase 3 waste water collection system improvement project. The Village will repay the loans in semiannual installments of \$15,698, over 20 years from 2009 through 2028. Sewer receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #5287 with an original amount of \$987,303 relates to a phase 4 sanitary sewer separation project. The Village will repay the loan in semiannual installments of \$24,683 over 20 years from 2011 through 2030. Sewer receipts collateralize the loan.

Ohio Water Development Authority (OWDA) loan #7453 with an original amount of \$91,417 relates to a radio read water meter project. The Village will repay the loan in semiannual installments of \$2,092, including interest, over 30 years from 2017 through 2046. Water receipts collateralize the loan.

The Ohio Public Works Commission (OPWC) loan CT62K with an original amount of \$35,000 relates to a sanitary sewer collection system improvements project. The Village will repay the loan in semiannual installments of \$1,750, over 10 years from 2009 through 2019. The loan is collateralized by sewer receipts.

The Ohio Public Works Commission (OPWC) loan CT41J with an original amount of \$35,000 relates to a water treatment plant improvement project. The Village will repay the loan in semiannual installments of \$875, over 20 years from 2018 through 2037. The loan is collateralized by water receipts.

The Ohio Public Works Commission (OPWC) loan CT52L with an original amount of \$30,290 relates to a sanitary sewer collection system improvements project. The Village will repay the loan in semiannual installments of \$757, over 20 years from 2011 through 2030. The loan is collateralized by sewer receipts.

The Ohio Public Works Commission (OPWC) loan CP46T with an original amount of \$136,4551 relates to a Village wide water distribution system replacement project. The Village will repay the loan in semiannual installments of \$3,411, over 20 years from 2018 through 2037. The loan is collateralized by water receipts.

The Ohio Public Works Commission (OPWC) loan CP39Q with an original amount of \$21,282 relates to a water transmission main replacement and looping project. The Village will repay the loan in semiannual installments of \$355, over 30 years from 2015 through 2044. The loan is collateralized by water receipts.

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

Amortization of the above debt, including interest, is:

Year Ending December 31:	Ohio Water Development Authority (OWDA) Loans	Ohio Public Works Commission (OPWC) Loans	Total
2018	\$225,561	\$14,296	\$239,857
2019	225,561	10,796	236,357
2020	225,561	10,796	236,357
2021	225,561	10,796	236,357
2022	201,250	10,796	212,046
2023-2027	708,614	53,982	762,596
2028-2032	368,453	42,321	410,774
2033-2037	229,342	37,660	267,002
2038-2042	20,920	3,547	24,467
2043-2046	14,642	1,416	16,058
Total	<u>\$2,445,465</u>	<u>\$196,406</u>	<u>\$2,641,871</u>

9. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective .

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

**VILLAGE OF FOREST
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**2017 Contributions to PEP
\$5,562**

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

10. JOINTLY GOVERNED ORGANIZATIONS

A. The Hardin County Regional Planning Commission – (the Commission) is a jointly governed entity between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, and of which may hold any other public office. The Village is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

B. The Jackson-Forest Ambulance District – (the District) is a jointly governed entity governed by a three-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Jackson Township, the Village of Forest and the Village of Patterson.. The District provides ambulance services within the District and by contract to areas outside the District. Financial information can be obtained from Karin Bash, Fiscal Office at 1699 Township Road 195, Forest, Ohio 45843.

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Forest, Hardin County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 16, 2020

**VILLAGE OF FOREST
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDING NUMBER 2018-001

Material Weakness - Accuracy of Financial Reporting

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

The following errors were identified in the financial statements:

- Governmental Accounting Standards Board (GASB) Statement No. 54 paragraph 16 (GASB Codification 1800.176 - Fund Balance Reporting and Governmental Fund Type Definitions, states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. At December 31, 2018, General Fund subsequent year appropriations in excess of estimated receipts, in the amount of \$39,595, were classified as unassigned fund balance instead of assigned fund balance;
- General Fund encumbrances in the amount of \$20,302 at December 31, 2018 and \$13,668 at December 31, 2017, were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 13 (GASB Codification 1800.173) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance;
- The Capital Projects fund balance in the amount of \$23,353 at December 31, 2018 and \$26,885 at December 31, 2017 was classified as restricted. The existing balances in the Capital Projects funds are derived from General Fund transfers and Council specified the purpose of the transfers. Governmental Accounting Standards Board (GASB) Statement No. 54 paragraph 10 (GASB Codification 1800.170) - Fund Balance Reporting and Governmental Fund Type Definitions), states that amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance.
- GASB Codification 1300.107 states that debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village has established a governmental debt service fund which it utilizes to make principal and interest payments on governmental debt. The debt service fund is financed entirely from transfers from the General Fund. In 2018 and 2017, the Village recorded capital outlay disbursements in the amount of \$39,675 and \$7,241, respectively, as debt principal payments in the debt service fund. Capital outlay disbursements are not consistent with the purpose of the debt service fund and, therefore, the disbursements should have been recorded in the General Fund.
- In 2018, principal payments in the amount of \$5,711 recorded in the Enterprise Water Fund were classified as interest and other fiscal charges instead of principal retirement. In 2017, an interest payment in the amount of \$153 recorded in the Debt Service Fund was classified as a principal payment.

**FINDING NUMBER 2018-001
(Continued)**

The 2018 and 2017 notes to the financial statements also had errors such as, but not limited to, errors and omissions in the cash and investment, budgetary, and debt notes.

The accompanying financial statements and notes to the financial statements have been adjusted to correct these recording errors. The accounting records have been adjusted to move disbursements from the Debt Service Fund to the General Fund.

Other recording errors that were not material to the financial statements were identified but not adjusted in the accompanying financial statements. These errors included general fund homestead and rollback receipts in the amounts of \$3,587 in 2018 and \$3,728 in 2017 which were recorded as property and other local taxes instead of as intergovernmental receipts.

The failure to review the annual financial statements and notes to the financial statements along with a more in-depth review of the accounting records may have contributed to these errors.

Financial recording errors and omissions in the accounting records, financial statements and notes may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements and notes.

The Fiscal Officer and Council or a sub-committee of Council such as a finance committee, should periodically perform an in-depth review of the accounting records and perform a review of the annual financial statements and notes to the financial statements to help identify and correct errors such as those identified above.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY, 6 2020**