

**VILLAGE OF FOREST  
HARDIN COUNTY  
Regular Audit  
December 31, 2008 and 2007**

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





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Village of Forest  
PO Box 220  
Forest, Ohio 45843

We have reviewed the *Independent Accountants' Report* of the Village of Forest, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Forest is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

October 7, 2009

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**VILLAGE OF FOREST  
HARDIN COUNTY**

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

August 31, 2009

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

To the Village Council:

We have audited the accompanying financial statements of the **Village of Forest, Hardin County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

Village of Forest  
Hardin County  
Independent Accountants Report  
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Forest, Hardin County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 29,040	\$ -	\$ -	\$ -	\$ 29,040
Municipal Income Taxes	406,960	-	-	-	406,960
Intergovernmental	53,835	77,675	-	-	131,510
Charges for Services	22,461	12,483	-	-	34,944
Fines, Licenses, and Permits	5,408	-	-	-	5,408
Earnings on Investments	29,244	623	-	-	29,867
Miscellaneous	49,908	100	-	-	50,008
	<u>596,856</u>	<u>90,881</u>	<u>-</u>	<u>-</u>	<u>687,737</u>
<b>Total Cash Receipts</b>					
	<u>596,856</u>	<u>90,881</u>	<u>-</u>	<u>-</u>	<u>687,737</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	204,888	-	-	-	204,888
Public Health Services	9,854	-	-	-	9,854
Leisure Time Activities	350	67,891	-	-	68,241
Community Environment	5,397	-	-	-	5,397
Basic Utility Services	-	-	-	2,500	2,500
Transportation	722	59,503	-	-	60,225
General Government	153,923	-	-	22,763	176,686
Debt Service:					
Redemption of Principal	3,781	-	-	13,999	17,780
Interest and Fiscal Charges	201	-	-	3,549	3,750
	<u>379,116</u>	<u>127,394</u>	<u>-</u>	<u>42,811</u>	<u>549,321</u>
<b>Total Cash Disbursements</b>					
	<u>379,116</u>	<u>127,394</u>	<u>-</u>	<u>42,811</u>	<u>549,321</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>217,740</u>	<u>(36,513)</u>	<u>-</u>	<u>(42,811)</u>	<u>138,416</u>
<b>Other Financing Receipts/Disbursements):</b>					
Transfer-In	-	79,646	1,667	17,548	98,861
Transfer-Out	(98,861)	-	-	-	(98,861)
	<u>(98,861)</u>	<u>79,646</u>	<u>1,667</u>	<u>17,548</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
	<u>(98,861)</u>	<u>79,646</u>	<u>1,667</u>	<u>17,548</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	118,879	43,133	1,667	(25,263)	138,416
<b>Fund Cash Balances, January 1</b>	222,440	151,429	20,833	62,278	456,980
<b>Fund Cash Balances, December 31</b>	<u>\$ 341,319</u>	<u>\$ 194,562</u>	<u>\$ 22,500</u>	<u>\$ 37,015</u>	<u>\$ 595,396</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 11,770</u>	<u>\$ 1,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,987</u>

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



**VILLAGE OF FOREST  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 486,575
Miscellaneous	10,895
Total Operating Cash Revenues	497,470
<b>Operating Cash Disbursements:</b>	
Security of Persons and Property	
Personal Services	217,601
Contractual Services	73,084
Supplies and Materials	71,095
Capital Outlay	1,986,116
Total Operating Cash Disbursements	2,347,896
Operating Income (Loss)	(1,850,426)
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Note Proceeds	877,613
Intergovernmental	1,193,595
Redemption of Principal	(165,774)
Interest and Other Fiscal Charges	(36,313)
Other Financing Sources	4,503
Other Financing Uses	(8,006)
Total Non-Operating Cash Receipts/(Disbursements)	1,865,618
Net Receipts Over/(Under) Cash Disbursements	15,192
Fund Cash Balances, January 1	391,103
<b>Fund Cash Balances, December 31</b>	<b>\$ 406,295</b>
Reserve for Encumbrances, December 31	\$ 8,055

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 30,061	\$ -	\$ -	\$ -	\$ 30,061
Municipal Income Taxes	318,394	-	-	-	318,394
Intergovernmental	108,778	70,490	-	-	179,268
Charges for Services	9,288	11,573	-	-	20,861
Fines, Licenses, and Permits	5,863	-	-	-	5,863
Earnings on Investments	46,626	1,022	-	-	47,648
Miscellaneous	10,906	-	-	-	10,906
<b>Total Cash Receipts</b>	<u>529,916</u>	<u>83,085</u>	<u>-</u>	<u>-</u>	<u>613,001</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	246,968	-	-	-	246,968
Public Health Services	6,928	-	-	-	6,928
Leisure Time Activities	350	66,634	-	-	66,984
Community Environment	7,236	-	-	-	7,236
Basic Utility Services	10,172	-	-	-	10,172
Transportation	-	57,201	-	-	57,201
General Government	94,015	-	-	-	94,015
Debt Service:					
Redemption of Principal	3,591	-	-	13,378	16,969
Interest and Fiscal Charges	391	-	-	4,169	4,560
Capital Outlay	-	-	-	51,765	51,765
<b>Total Cash Disbursements</b>	<u>369,651</u>	<u>123,835</u>	<u>-</u>	<u>69,312</u>	<u>562,798</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>160,265</u>	<u>(40,750)</u>	<u>-</u>	<u>(69,312)</u>	<u>50,203</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfer-In	-	61,243	17,608	32,700	111,551
Transfer-Out	(111,551)	-	-	-	(111,551)
Other Sources	-	11,693	-	-	11,693
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(111,551)</u>	<u>72,936</u>	<u>17,608</u>	<u>32,700</u>	<u>11,693</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	48,714	32,186	17,608	(36,612)	61,896
Fund Cash Balances, January 1	173,726	119,243	3,225	98,890	395,084
<b>Fund Cash Balances, December 31</b>	<u>\$ 222,440</u>	<u>\$ 151,429</u>	<u>\$ 20,833</u>	<u>\$ 62,278</u>	<u>\$ 456,980</u>
Reserve for Encumbrances, December 31	<u>\$ 6,849</u>	<u>\$ 2,266</u>	<u>\$ -</u>	<u>\$ 21,025</u>	<u>\$ 30,140</u>

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 534,991
Fines, Licenses and Permits	3,210
Miscellaneous	459
	<u>538,660</u>
Total Operating Cash Revenues	<u>538,660</u>
<b>Operating Cash Disbursements:</b>	
Security of Persons and Property	
Personal Services	218,016
Contractual Services	93,543
Supplies and Materials	92,719
Capital Outlay	692,841
	<u>1,097,119</u>
Total Operating Cash Disbursements	<u>1,097,119</u>
Operating Income (Loss)	<u>(558,459)</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Note Proceeds	545,871
Miscellaneous	4,096
Redemption of Principal	(162,708)
Interest and Other Fiscal Charges	(27,604)
Other Financing Sources	14,081
Other Financing Uses	(2,214)
	<u>371,522</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>371,522</u>
Net Receipts Over/(Under) Cash Disbursements	(186,937)
Fund Cash Balances, January 1	<u>578,040</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 391,103</u></b>
Reserve for Encumbrances, December 31	<u>\$ 18,111</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, 2008 AND 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. **Description of the Entity** - The Village of Forest, Hardin County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire protection.

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

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

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

- C. **Cash and Investments** - Certificates of deposit and the money fund accounts are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

- D. **Fund Accounting** - The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

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

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Park and Recreation Fund

This fund receives grants and income tax receipts to fund operations of the park and pool.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Fund Accounting** (continued)

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness and are funded by transfers of municipal income tax proceeds.

Capital Project Funds

These funds are used to account for municipal income tax receipts that are restricted for the acquisition or construction of capital projects (except those financed through enterprise or trust funds).

Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered 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

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 (except certain agency funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (continued)**

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements

**G. Unpaid Vacation and Sick Leave** – Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 220,732	\$ 42,516
Certificate of deposit	253,116	241,808
Total deposits	<u>473,848</u>	<u>284,324</u>
Money market	250,196	293,046
STAR Ohio	277,647	270,713
Total investments	<u>527,843</u>	<u>563,759</u>
<b>Total deposits and investments</b>	<u><u>\$ 1,001,691</u></u>	<u><u>\$ 848,083</u></u>

**Deposits** - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) covered by specific collateral held by third party trustees.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 501,020	\$ 596,856	\$ 95,836
Special Revenue	142,500	170,527	28,027
Debt Service	13,440	1,667	(11,773)
Capital Projects	-	17,548	17,548
Enterprise	2,811,392	2,573,181	(238,211)
Total	<u>\$ 3,468,352</u>	<u>\$ 3,359,779</u>	<u>\$ (108,573)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 551,145	\$ 489,747	\$ 61,398
Special Revenue	134,988	128,611	6,377
Debt Service	34,273	-	34,273
Capital Projects	27,525	42,811	(15,286)
Enterprise	2,759,680	2,566,044	193,636
Total	<u>\$ 3,507,611</u>	<u>\$ 3,227,213</u>	<u>\$ 280,398</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 451,295	\$ 529,916	\$ 78,621
Special Revenue	131,000	156,021	25,021
Debt Service	14,000	17,608	3,608
Capital Projects	26,000	32,700	6,700
Enterprise	3,044,900	1,102,708	(1,942,192)
Total	<u>\$ 3,667,195</u>	<u>\$ 1,838,953</u>	<u>\$ (1,828,242)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 520,541	\$ 488,051	\$ 32,490
Special Revenue	130,702	126,101	4,601
Debt Service	17,580	-	17,580
Capital Projects	81,765	90,337	(8,572)
Enterprise	3,117,334	1,307,756	1,809,578
Total	<u>\$ 3,867,922</u>	<u>\$ 2,012,245</u>	<u>\$ 1,855,677</u>

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 3 - BUDGETARY ACTIVITY** (Continued)

Contrary to Ohio Rev. Code Section 5705.36, actual receipts were below estimated receipts in the Fund in the Water and Sewer Funds in 2007 and the Fire Truck Debt Service, Water, Sewer, and Solid Waste Funds in 2008.

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded total estimated resources during the year for the City Building Capital Projects Fund in 2008 and the Fire Truck Debt Service Fund in 2007.

Contrary to Ohio Rev. Code Section 5705.41(B), actual disbursements exceeded appropriations in the Fire Truck Capital Projects Fund in 2007 and 2008.

Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village did not properly certify the availability of funds prior to purchase commitment for 10% and 30% of the expenditures tested during 2008 and 2007, respectively.

**NOTE 4 - PROPERTY TAX**

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

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

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

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

**NOTE 5 - DEBT**

Debt outstanding at December 31, 2008 was as follows:

<u>Name</u>	<u>Description</u>	<u>Principal Outstanding 12/31/06</u>	<u>Add</u>	<u>Ded</u>	<u>Principal Outstanding 12/31/07</u>	<u>Add</u>	<u>Ded</u>	<u>Principal Outstanding 12/31/08</u>
USDA	Fire Truck Loan, 4.625%	\$ 90,145	\$ -	\$13,378	\$ 76,767	\$ -	\$ 13,999	\$ 62,768
Comm. First Bank N.A.	Police Cruiser Loan, 5.00%	9,326	-	3,591	5,735	-	3,781	1,954
	Total Governmental Fund Type	\$ 99,471	\$ -	\$16,969	\$ 82,502	\$ -	\$17,780	\$ 64,722



**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 5 – DEBT (Continued)**

<u>Name</u>	<u>Description</u>	<u>Principal Outstanding 12/31/06</u>	<u>Add</u>	<u>Ded</u>	<u>Principal Outstanding 12/31/07</u>	<u>Add</u>	<u>Ded</u>	<u>Principal Outstanding 12/31/08</u>
OWDA	Loan #1563, 7.21%	\$ 121,754	\$ -	\$23,315	\$ 98,439	\$ -	\$17,046	\$ 81,393
OWDA	Community Asst Loan #3509, 1.50%	689,350	-	57,854	631,496	-	39,296	592,200
OWDA	Capitalization Grant Fund #3966, 0.00%	900,790	-	79,039	821,751	-	52,693	769,058
OWDA	New Water Plant Engineering #4445, 0.00%	38,750	-	-	38,750	-	3,875	34,875
OWDA	New Water Plant Engineering #4296, 0.00%	25,000	-	2,500	22,500	-	2,500	20,000
OWDA	Water Plant #4708, 1.50%	-	545,871	-	545,871	354,199	34,333	865,737
OWDA	Phase 3 Sewer, 0.00%	-	-	-	-	523,414	16,031	507,383
	Total Proprietary Fund Type	<u>\$ 1,775,644</u>	<u>\$545,871</u>	<u>\$162,708</u>	<u>\$ 2,158,807</u>	<u>\$877,613</u>	<u>\$165,774</u>	<u>\$ 2,870,646</u>
	Total Governmental and Proprietary	<u>\$ 1,875,115</u>	<u>\$545,871</u>	<u>\$179,677</u>	<u>\$ 2,241,309</u>	<u>\$877,613</u>	<u>\$183,554</u>	<u>\$ 2,935,368</u>

During 1992, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a water line replacement project. The original amount of the loan was \$251,652, which included \$4,555 in capitalized interest. The loan is to be repaid in semiannual installments of \$12,072, including interest over 20 years and has an interest rate of 7.21%. Payments on the outstanding balance began in 1993 and the final installment will be due January 1, 2013.

During 2002, the Village entered into a loan agreement with OWDA for phase one of a sewer construction project. The total loan amount is for \$837,435 with an interest rate of 1.5% and is to be paid back over 20 years in semiannual installments of \$24,311. Payments on the outstanding balance began during 2003 and the final payment will be due July 1, 2022.

During 2003, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for phase two of the sewer separation project. This loan is administered through OWDA. The total loan amount is \$1,053,861 with an interest rate of 0% and will be paid back over 20 years, with the first payment due January 1, 2005 and the final payment due July 1, 2024.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 5 - DEBT** (Continued)

During 2003, the Village issued Fire Apparatus Acquisition Bonds in the principal amount of \$138,000 for the purpose of acquiring fire apparatus, namely a fire truck and related equipment. The United States Department of Agriculture, Rural Development, also known as the USDA, agreed to purchase these bonds, in addition to providing a grant in an amount not to exceed \$37,000 for the acquisition of the fire apparatus. The bonds were dated November 8, 2002, with the interest rate stated at 4.625%. The payments are due annually with the first payment due on November 1, 2003 and the last payment due on November 1, 2012. The debt payments for this loan were funded by municipal income tax and were being paid out of the Debt Service fund prior to and during 2005. During 2006, the Village determined that they had a remaining fund balance in the Fire Truck Capital Projects fund which was originally established for the purchase of the fire truck with municipal income tax monies. It was determined that all future payments for the fire truck loan would be funded through the Fire Truck Capital Projects fund until the money was extinguished.

During 2005, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for technical services for the water system improvements project. This loan is administered through OWDA. The total loan amount is \$25,000 with an interest rate of 0% and will be paid back over 10 years, with the first payment due July 1, 2007 and the final payment due July 1, 2016.

During 2006, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for technical services for the water system improvements project. This loan is administered through OWDA. The total loan amount is \$38,750 with an interest rate of 0% and will be paid back over 10 years, with the first payment due July 1, 2008 and the final payment due July 1, 2017.

During 2006, the Village entered into a loan agreement with the Community First Bank to purchase a new police cruiser. The payments are made monthly beginning June 26, 2006. The final payment is due June 21, 2009. The total loan amount is \$11,059 with monthly payments of \$331 and a fixed interest rate of 5%.

During 2007, the Village entered into a loan agreement with OWDA for construction of a new water treatment plant. The total loan amount is for \$900,070 with an interest rate of 1.5% and is to be paid back over 20 years in semiannual installments of \$26,777. Payments on the outstanding balance began during 2008 and the final payment will be due January 1, 2028.

During 2008, the Village entered into a loan agreement with OWDA for phase three of a wastewater collection project. The total loan amount is for \$523,414 with an interest rate of 0.0% and is to be paid back over 20 years in semiannual installments of \$16,031. Payments on the outstanding balance began during 2008 and the final payment will be due July 1, 2028.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 5 - DEBT** (Continued)

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

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	114,641	16,801	131,442
2010	206,598	28,399	234,997
2011	209,894	25,102	234,996
2012	213,341	21,658	234,999
2013	187,327	18,050	205,377
2014-2018	891,029	66,626	957,655
2019-2023	853,687	32,342	886,029
2024-2028	258,851	7,312	266,163
<b>Total</b>	<b>\$ 2,935,368</b>	<b>\$ 216,290</b>	<b>\$ 3,151,658</b>

**NOTE 6 - LOCAL INCOME TAXES**

The Village levies a municipal income tax of 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 a declaration annually. Municipal income tax collected by the Village amounted to approximately \$406,960 in 2008 and \$318,394 in 2007.

**NOTE 7 - RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multi-employer plans. These plans provide retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages and 24% of fire participant wages. Members of OPERS contributed 10% and 9.5%, respectively, of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries in 2008 and 13.85% in 2007. The Village has paid all contributions required through December 31, 2008.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 8 - RISK MANAGEMENT**

The Village has participated in the Ohio Government Risk Management Plan, an alternative to the commercial insurance, and has obtained separated commercial insurance for the Village Fire Department for the following risks:

- Comprehensive property and general ability
- Errors and Omissions
- Vehicles
- Inland Marine

The Village also provides health insurance coverage to full-time employees through a private carrier.

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

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Marietta, OH 45750  
(740) 373-0056

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

August 31, 2009

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

To the Village Council:

We have audited the financial statements of the **Village of Forest, Hardin County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 31, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

**Internal Control over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the following significant deficiency described above is a material weakness: 2008-005.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2008-001 through 2008-004.

This report is intended solely for the information and use of management and the Village Council and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,



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

**VILLAGE OF FOREST  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 and 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2008-001**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Fiscal Officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Village did not amend estimated resources as outlined above. We recommend that the Fiscal Officer monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-002**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code Section 5705.39** provides that the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The appropriations exceeded that total estimated resources for the City Building Capital Projects Fund in 2008 and the Fire Truck Debt Service Fund in 2007.

The Village should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-003**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in the Fire Truck Capital Projects Fund in both 2008 and 2007.

We recommend the Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 and 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-004**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

10% of the transactions tested in 2008 and 30% of the transactions tested in 2007 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are, or will be, available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.



**VILLAGE OF FOREST  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 and 2007**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2008-005**

**Significant Deficiency/Material Weakness**

**Accounting for Receipts and Expenditures**

Monitoring controls are procedures and supervisory activities performed by management to help ensure that management's objectives are being achieved, including the objective of assuring accurate and reliable financial reports for external reporting purposes. Effective monitoring controls should enable management to identify misclassifications, errors, and omissions in financial reports.

The Fiscal Officer did not accurately post all receipts and expenditures to the Village's accounting ledgers. The following posting errors were noted:

- Debt payments were posted to Debt Service Fund instead of Capital Projects Fund.
- Income tax transfers were booked to general government instead of transfers.
- Capital outlay posted as other financing uses.

These reclassifications and adjustments have been made and are reflected in the accompanying financial statements.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper classification of receipts and expenditures.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF FOREST  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Internal Control and Review Procedures.	Yes	Corrected
2006-002	ORC 5705.36 - Amending Certificates of Estimated Resources.	No	Repeated as Finding 2008-001
2006-003	ORC 5705.14, 5704.15, 5705.16 – Transfer of Funds.	Yes	Corrected
2006-004	ORC 5705.39 – Appropriations exceeding estimated resources.	No	Repeated as Finding 2008-002



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF FOREST**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 19, 2009**