

**VILLAGE OF FORT RECOVERY**

DAYTON REGION, MERCER COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Fort Recovery  
PO Box 340  
201 South Main Street  
Fort Recovery, Ohio 45846

We have reviewed the *Independent Auditors' Report* of the Village of Fort Recovery, Mercer County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 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 Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA  
Auditor of State

June 23, 2009

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**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

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**MANNING & ASSOCIATES CPAs, LLC**  
**6105 NORTH DIXIE DRIVE**  
**DAYTON, OHIO 45414**

**INDEPENDENT AUDITORS' REPORT**

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

To the Village Council:

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

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

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

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

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 its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Fort Recovery, Mercer County, 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 determines is necessary to supplement, although not required to be a part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2009, on our consideration of the Village's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC  
Dayton, Ohio

April 28, 2009



**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

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

	<u>Governmental Fund Types</u>					<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>						
Local Taxes	\$ 147,431	\$ 148,603	\$ 0	\$ 0	\$ 0	\$ 296,034
Municipal Income Tax	627,744	0	0	0	0	627,744
Intergovernmental Revenues	88,303	85,785	0	44,371	0	218,459
Special Assessments	43,459	0	0	0	0	43,459
Charges for Services	4,725	22,051	0	0	0	26,776
Fines, Licenses and Permits	930	0	0	0	0	930
Earnings on Investments	15,375	946	0	0	94	16,415
Miscellaneous	9,570	23,311	0	150	0	33,031
<b>Total Cash Receipts</b>	<u>937,537</u>	<u>280,696</u>	<u>0</u>	<u>44,521</u>	<u>94</u>	<u>1,262,848</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	\$ 203,728	\$ 100	\$ 0	\$ 0	\$ 0	\$ 203,828
Public Health Services	6,893	21,057	0	0	0	27,950
Leisure Time Activities	0	52,889	0	0	0	52,889
Community Environment	3,152	0	0	0	0	3,152
Basic Utility Services	170	0	0	0	0	170
Transportation	0	140,561	0	0	0	140,561
General Government	278,364	0	0	0	0	278,364
Capital Outlay	578	129,752	0	176,203	0	306,533
Debt Service:						
Principal	0	23,553	41,511	0	0	65,064
Interest Charges	0	0	9,818	0	0	9,818
<b>Total Cash Disbursements</b>	<u>492,885</u>	<u>367,912</u>	<u>51,329</u>	<u>176,203</u>	<u>0</u>	<u>1,088,329</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>444,652</u>	<u>(87,216)</u>	<u>(51,329)</u>	<u>(131,682)</u>	<u>94</u>	<u>174,519</u>
<b>Other Financing Sources/(Uses):</b>						
Sale of Fixed Assets	3,655	9,600	0	44,571	0	57,826
Other Debt Proceeds	0	0	0	132,399	0	132,399
Transfers-In	0	75,552	51,232	0	0	126,784
Transfers-Out	(169,284)	0	0	0	0	(169,284)
Advances - In	17,223	4,000	0	13,223	0	34,446
Advances - Out	(17,223)	(4,000)	0	(13,223)	0	(34,446)
Other Financing Sources	800	0	0	0	0	800
Other Financing Uses	(44,754)	0	0	0	0	(44,754)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(209,583)</u>	<u>85,152</u>	<u>51,232</u>	<u>176,970</u>	<u>0</u>	<u>103,771</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	235,069	(2,064)	(97)	45,288	94	278,290
Fund Cash Balances, January 1,	<u>153,219</u>	<u>201,397</u>	<u>31,597</u>	<u>86,751</u>	<u>3,903</u>	<u>476,867</u>
<b>Fund Cash Balances, December 31,</b>	<u>\$ 388,288</u>	<u>\$ 199,333</u>	<u>\$ 31,500</u>	<u>\$ 132,039</u>	<u>3,997</u>	<u>\$ 755,157</u>

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

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

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 408,379
Miscellaneous	23,080
Total Operating Cash Receipts	431,459
<b>Operating Cash Disbursements:</b>	
Personal Service	\$ 225,430
Travel Transportation	299
Contractual Services	84,404
Supplies and Materials	94,638
Other	4,341
Capital Outlay	19,651
Total Operating Cash Disbursements	428,763
Operating Income/ (Loss)	2,696
<b>Non-Operating Cash Disbursements:</b>	
Miscellaneous	767
Redemption of Principal	(30,600)
Interest and Other Fiscal Charges	(25,462)
Other Financing Sources	(3,897)
Total Non-Operating Cash Disbursements	(59,192)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(56,496)
Transfers-In	88,562
Transfers-Out	(46,062)
Net Revenues Over/(Under) Expenses	(13,996)
Fund Cash Balances, January 1,	257,925
<b>Fund Cash Balances, December 31,</b>	<b>\$ 243,929</b>

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

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

	Governmental Fund Types					Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Local Taxes	\$ 149,124	\$ 176,006	\$ 0	\$ 0	\$ 0	\$ 325,130
Municipal Income Tax	474,301	0	0	0	0	474,301
Intergovernmental Revenues	83,139	65,669	0	111,985	0	260,793
Special Assessments	8,887	0	0	0	0	8,887
Charges for Services	5,400	23,362	0	0	0	28,762
Fines, Licenses and Permits	751	0	0	0	0	751
Earnings on Investments	12,670	740	0	0	0	13,410
Miscellaneous	5,404	30,648	0	150	0	36,202
<b>Total Cash Receipts</b>	<b>739,676</b>	<b>296,425</b>	<b>0</b>	<b>112,135</b>	<b>0</b>	<b>1,148,236</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	\$ 164,568	\$ 0	\$ 0	\$ 0	\$ 0	\$ 164,568
Public Health Services	5,543	20,396	0	0	0	25,939
Leisure Time Activities	0	53,445	0	0	0	53,445
Community Environment	1,545	0	0	0	0	1,545
Basic Utility Services	55	0	0	0	0	55
Transportation	0	137,015	0	0	0	137,015
General Government	236,505	0	0	0	0	236,505
Capital Outlay	13,823	72,388	0	443,600	0	529,811
Debt Service:						
Principal	0	0	36,054	0	0	36,054
Interest Charges	0	0	11,446	0	0	11,446
<b>Total Cash Disbursements</b>	<b>422,039</b>	<b>283,244</b>	<b>47,500</b>	<b>443,600</b>	<b>0</b>	<b>1,196,383</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>317,637</b>	<b>13,181</b>	<b>(47,500)</b>	<b>(331,465)</b>	<b>0</b>	<b>(48,147)</b>
<b>Other Financing Sources/(Uses):</b>						
Sale of Fixed Assets	0	0	0	10,000	0	10,000
Other Debt Proceeds				146,608		146,608
Transfers-In	0	45,917	47,500	183,169	0	276,586
Transfers-Out	(349,586)	0	0	0	0	(349,586)
Other Financing Sources	1,820	0	0	0	204	2,024
Other Financing Uses	(45,007)	0	0	(1,328)	0	(46,335)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(392,773)</b>	<b>45,917</b>	<b>47,500</b>	<b>338,449</b>	<b>204</b>	<b>39,297</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(75,136)	59,098	0	6,984	204	(8,850)
Fund Cash Balances, January 1,	228,355	142,299	31,597	79,767	3,699	485,717
<b>Fund Cash Balances, December 31,</b>	<b>\$ 153,219</b>	<b>\$ 201,397</b>	<b>\$ 31,597</b>	<b>\$ 86,751</b>	<b>3,903</b>	<b>\$ 476,867</b>

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

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

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 404,323
Miscellaneous	20,792
	425,115
<b>Operating Cash Disbursements:</b>	
Personal Service	\$ 216,146
Travel Transportation	494
Contractual Services	78,143
Supplies and Materials	75,884
Capital Outlay	30,846
	401,513
Operating Income/ (Loss)	23,602
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	(19,600)
Interest and Other Fiscal Charges	(26,456)
Other Financing Sources	2,526
Other Financing Uses	(1,484)
Total Non-Operating Cash Disbursements	(45,014)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(21,412)
Transfers-In	119,056
Transfers-Out	(46,056)
	51,588
Net Revenues Over/(Under) Expenses	51,588
Fund Cash Balances, January 1,	206,337
<b>Fund Cash Balances, December 31,</b>	\$ 257,925

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

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**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fort Recovery, Mercer County, (the Village) as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village receives fire protection through the Southwest Fire District.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**General Fund:**

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

**D. Fund Accounting** (continued)

**Special Revenue Funds:**

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

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

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

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

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

**Debt Service Funds:**

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

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

**Capital Project Funds:**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

**George Street / Issue II Grant Fund** – This fund received Ohio Public Works grant to provide funds for the reconstruction of a section of the Village street and infrastructure.

**Permanent Funds:**

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

**D. Fund Accounting** (continued)

The Village had the following significant permanent fund:

**Cemetery Trust** – This fund receives interest earned on the nonexpendable corpus from the trust agreement. These earnings are used for the general maintenance and upkeep of the cemetery.

**Enterprise Funds:**

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

**Water Fund** – This fund receives charges for services from residents to cover water service costs.

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

**E. Budgetary Process**

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

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

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

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



**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

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

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$467,386	\$439,040
Certificates of deposit	531,700	295,752
Total deposits	<u>\$999,086</u>	<u>\$734,792</u>

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2008 was as follows:

**2008 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 860,364	\$ 941,992	\$ 81,628
Special Revenue	357,697	365,848	8,151
Debt Service	51,232	51,232	0
Capital Projects	364,200	221,491	(142,709)
Permanent	100	94	(6)
Enterprise	549,000	520,788	(28,212)
Total	<u>\$ 2,182,593</u>	<u>\$ 2,101,445</u>	<u>\$ (81,148)</u>

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 1,013,240	\$ 706,923	\$ 306,317
Special Revenue	464,091	367,912	96,179
Debt Service	57,232	51,329	5,903
Capital Projects	307,700	176,203	131,497
Enterprise	607,305	534,784	72,521
Total	<u>\$ 2,449,568</u>	<u>\$ 1,837,151</u>	<u>\$ 612,417</u>

Budgetary activity for the year ending December 31, 2007 was as follows:

**2007 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 892,362	\$ 741,496	\$ (150,866)
Special Revenue	369,892	342,342	(27,550)
Debt Service	23,000	47,500	24,500
Capital Projects	461,763	451,912	(9,851)
Permanent	88	204	116
Enterprise	541,456	546,697	5,241
Total	<u>\$ 2,288,561</u>	<u>\$ 2,130,151</u>	<u>\$ (158,410)</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 969,375	\$ 816,632	\$ 152,743
Special Revenue	458,783	283,244	175,539
Debt Service	53,500	47,500	6,000
Capital Projects	453,263	444,928	8,335
Permanent	50	0	50
Enterprise	561,705	495,109	66,596
Total	<u>\$ 2,496,676</u>	<u>\$ 2,087,413</u>	<u>\$ 409,263</u>

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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**4. PROPERTY TAX**

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.25 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 of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Mortgage Revenue Bonds	\$480,190	5.-7.875%
Ohio Public Works	147,910	0.00%
Real Estate Acquisition	166,093	5.00%
OWDA	170,813	0.00%
Total	<u>\$965,006</u>	

OWDA loan has been approved for \$335,527; amount drawn at December 31, 2008 was \$170,813. Interest rate 0% for five years. Semi annual payments in the amount of \$33,553. Amortization schedule reflects payments at full loan amount.

Mortgage Revenue Bonds were for the purpose of water plant facility.

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

Real Estate Acquisition Bonds were for the Industrial Park Development.

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**6. DEBT (Continued)**

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

<u>Year Ending December 31:</u>	<u>Mortgage Revenue Bonds</u>	<u>OPWC</u>	<u>Real Estate Real Estate Acquisition</u>	<u>OWDA</u>
2009	\$ 46,119	\$ 4,616	\$ 21,705	\$ 33,553
2010	47,118	9,232	21,735	67,105
2011	46,910	9,232	21,730	67,105
2012	46,752	9,232	21,690	67,105
2013	46,437	9,232	21,715	67,106
2014 – 2018	232,710	46,160	105,992	0
2019 – 2023	231,662	43,410	0	0
2024 – 2028	0	16,796	0	0
Total	<u>\$ 697,708</u>	<u>\$ 147,910</u>	<u>\$ 214,567</u>	<u>\$ 301,973</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent in 2008 and 9.5 percent in 2007 of their wages. The Village contributed an amount equal to 14 percent and 13.85 percent of participants' gross salaries in 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

**8. RISK MANAGEMENT**

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

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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**8. RISK MANAGEMENT** , continued

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

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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**MANNING & ASSOCIATES, CPAs, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

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

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

To the Village Council:

We have audited the financial statements of the Village of Fort Recovery, Mercer County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 28, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion 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.

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.

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

We noted certain matters that we reported to the Village's management in a separate letter dated April 28, 2009.

### **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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standard*.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 28, 2009.

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

April 28, 2009





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF FORT RECOVERY**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 7, 2009**