



**Auditor of State
Betty Montgomery**

VILLAGE OF FORT RECOVERY
MERCER COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 17, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Fort Recovery, Mercer County, (the Village), as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or their changes in financial position or cash flows of its proprietary funds for the year 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 as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 May 17, 2005, 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.



Betty Montgomery
Auditor of State

May 17, 2005

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$113,076	\$86,822				\$199,898
Municipal Income Tax					453,874	453,874
Special Assessments	14,899					14,899
Intergovernmental Receipts	82,239	120,059				202,298
Charges for Services	3,710	11,294				15,004
Fines, Licenses, and Permits	537					537
Earnings on Investments	1,771	133				1,904
Miscellaneous	6,968	12,127		150		19,245
Donations		20,840				20,840
Total Cash Receipts	223,200	251,275		150	453,874	928,499
Cash Disbursements:						
Current:						
Security of Persons and Property	115,648					115,648
Public Health Services	3,966	19,811				23,777
Leisure Time Activities		48,963				48,963
Community Environment	127					127
Basic Utility Services	100					100
Transportation		112,875				112,875
General Government	166,565				42,897	209,462
Debt Service:						
Principal Payments	7,063	13,673	28,000			48,736
Interest Payments	2	671	15,403			16,076
Capital Outlay	74,515	56,900				131,415
Total Cash Disbursements	367,986	252,893	43,403		42,897	707,179
Total Receipts Over/(Under) Disbursements	(144,786)	(1,618)	(43,403)	150	410,977	221,320
Other Financing Receipts and (Disbursements):						
Sale of Bonds or Notes	20,441					20,441
Transfers-In	175,000	49,824	47,500			272,324
Other Financing Sources					1,880	1,880
Transfers-Out	(324)				(301,000)	(301,324)
Other Financing Uses		(3,380)			(17,984)	(21,364)
Total Other Financing Receipts/(Disbursements)	195,117	46,444	47,500		(317,104)	(28,043)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	50,331	44,826	4,097	150	93,873	193,277
Fund Cash Balances, January 1	15,272	74,149	28,000	86	84,527	202,034
Fund Cash Balances, December 31	\$65,603	\$118,975	\$32,097	\$236	\$178,400	\$395,311

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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$361,974		\$361,974
Earning on Investments		34	34
Miscellaneous	1,521		1,521
Total Operating Cash Receipts	<u>363,495</u>	<u>34</u>	<u>363,529</u>
Operating Cash Disbursements:			
Personal Services	173,904		173,904
Travel Transportation	1,488		1,488
Contractual Services	57,287		57,287
Supplies and Materials	44,144		44,144
Capital Outlay	53,582		53,582
Total Operating Cash Disbursements	<u>330,405</u>		<u>330,405</u>
Operating Income	<u>33,090</u>	<u>34</u>	<u>33,124</u>
Non-Operating Cash Receipts:			
Other Financing Sources	<u>6,622</u>		<u>6,622</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	(17,500)		(17,500)
Debt Service - Interest & Fiscal Chgs	(29,222)		(29,222)
Other Financing Uses	<u>(3,217)</u>		<u>(3,217)</u>
Total Non-Operating Cash Disbursements	<u>(49,939)</u>		<u>(49,939)</u>
Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(10,227)	34	(10,193)
Transfers-In	75,722		75,722
Transfers-Out	<u>(46,722)</u>		<u>(46,722)</u>
Net Receipts Over Disbursements	18,773	34	18,807
Fund Cash Balances, January 1	<u>227,854</u>	<u>3,561</u>	<u>231,415</u>
Fund Cash Balances, December 31	<u><u>\$246,627</u></u>	<u><u>\$3,595</u></u>	<u><u>\$250,222</u></u>

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

VILLAGE OF FORT RECOVERY
MERCER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$111,475	\$85,750				\$197,225
State Shared Taxes and Permits					392,483	392,483
Special Assessments	15,539	1,440				16,979
Intergovernmental Receipts	90,678	106,373		84,000		281,051
Charges for Services	45	13,914				13,959
Fines, Licenses, and Permits	507					507
Earnings on Investments	3,380	125				3,505
Miscellaneous	6,146	13,892		150		20,188
Donations		18,265				18,265
Total Cash Receipts	227,770	239,759		84,150	392,483	944,162
Cash Disbursements:						
Current:						
Security of Persons and Property	97,458	1,784				99,242
Public Health Services	3,511	18,846				22,357
Leisure Time Activities		55,017				55,017
Community Environment	557					557
Basic Utility Services	35					35
Transportation		252,851				252,851
General Government	176,167				38,844	215,011
Debt Service:						
Principal Payments		13,075	27,500			40,575
Interest Payments		1,269	16,527			17,796
Capital Outlay	15,007			164,593		179,600
Total Cash Disbursements	292,735	342,842	44,027	164,593	38,844	883,041
Total Receipts Over/(Under) Disbursements	(64,965)	(103,083)	(44,027)	(80,443)	353,639	61,121
Other Financing Receipts and (Disbursements):						
Sale of Bonds or Notes						
Transfers-In	65,000	140,947	44,027	80,381		330,355
Other Financing Sources	529				910	1,439
Transfers-Out	(762)				(360,593)	(361,355)
Other Financing Uses		(910)			(20,175)	(21,085)
Total Other Financing Receipts/(Disbursements)	64,767	140,037	44,027	80,381	(379,858)	(50,646)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(198)	36,954		(62)	(26,219)	10,475
Fund Cash Balances, January 1	15,470	37,195	28,000	148	110,746	191,559
Fund Cash Balances, December 31	\$15,272	\$74,149	\$28,000	\$86	\$84,527	\$202,034

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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$338,285		\$338,285
Earnings on Investments		72	72
Miscellaneous	4,654		4,654
	<u>342,939</u>	<u>72</u>	<u>343,011</u>
Operating Cash Disbursements:			
Personal Services	161,926		161,926
Travel Transportation	1,246		1,246
Contractual Services	64,048		64,048
Supplies and Materials	54,674		54,674
Capital Outlay	36,917		36,917
	<u>318,811</u>		<u>318,811</u>
Operating Income	<u>24,128</u>	<u>72</u>	<u>24,200</u>
Non-Operating Cash Receipts:			
Other Financing Sources	<u>1,721</u>		<u>1,721</u>
Non-Operating Cash Disbursements:			
Debt Service: Principal	(16,400)		(16,400)
Debt Service: Interest & Fiscal Chgs.	(30,051)		(30,051)
Other Financing Uses	<u>(1,485)</u>		<u>(1,485)</u>
	<u>(47,936)</u>		<u>(47,936)</u>
Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(22,087)	72	(22,015)
Transfers-In	77,451		77,451
Transfers-Out	<u>(46,451)</u>		<u>(46,451)</u>
Net Receipts Over Disbursements	8,913	72	8,985
Fund Cash Balances, January 1	<u>218,941</u>	<u>3,489</u>	<u>222,430</u>
Fund Cash Balances, December 31	<u><u>\$227,854</u></u>	<u><u>\$3,561</u></u>	<u><u>\$231,415</u></u>

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

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. Debt Service Fund

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.

4. 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:

Center 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.

Center Street / Local Share Fund - This fund received transfers from the Village Income Tax Fund to pay the Village's share of the reconstruction project according to the requirements of the Issue II grant.

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 water service costs.

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

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classified the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village does not act in an agency capacity and has no agency funds. The Village had the following significant fiduciary funds:

Local Income Tax Fund - This expendable trust fund receives local income tax from residents to be used by the Village in accordance with its local income tax ordinance and amendments.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cemetery Trust – This is a non-expendable trust fund which has collected funds to be held in trust with restrictions upon use.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$469,633	\$409,476
Certificates of deposit	175,900	23,973
Total deposits	<u>\$645,533</u>	<u>\$433,449</u>

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$329,599	\$418,641	\$89,042
Special Revenue	346,914	301,099	(45,815)
Debt Service	14,000	47,500	33,500
Capital Projects	50,000	150	(49,850)
Enterprise	425,497	445,839	20,342
Fiduciary	394,270	455,788	61,518
Total	<u>\$1,560,280</u>	<u>\$1,669,017</u>	<u>\$108,737</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$395,115	\$368,310	\$26,805
Special Revenue	373,225	256,273	116,952
Debt Service	47,500	43,403	4,097
Capital Projects	6,500	0	6,500
Enterprise	492,297	427,066	65,231
Fiduciary	428,950	361,881	67,069
Total	<u>\$1,743,587</u>	<u>\$1,456,933</u>	<u>\$286,654</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$278,151	\$293,299	\$15,148
Special Revenue	371,187	380,706	9,519
Debt Service	19,500	44,027	24,527
Capital Projects	214,382	164,531	(49,851)
Enterprise	418,845	422,111	3,266
Fiduciary	382,485	393,465	10,980
Total	<u>\$1,684,550</u>	<u>\$1,698,139</u>	<u>\$13,589</u>

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$328,621	\$293,497	\$35,124
Special Revenue	408,583	343,752	64,831
Debt Service	47,500	44,027	3,473
Capital Projects	179,529	164,593	14,936
Enterprise	637,406	413,198	224,208
Fiduciary	470,863	419,612	51,251
Total	\$2,072,502	\$1,678,679	\$393,823

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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, 2004 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$557,490	5-7.875%
Real Estate Acquisition Bonds	286,045	5.00%
Ohio Public Works Commission Loan	99,000	0.00%
2004 Vehicle Loan	13,378	3.67%
Total	\$955,913	

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

Mortgage Revenue Bonds were issued for water plant development improvements. Charges for services received for water service is pledged to pay the debt. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2004 is \$4,000.

Real Estate Acquisition Bonds were issued for retirement of a loan for the purchase of land for an industrial park and retention pond thereon. The bond is secured by mortgage on real estate.

Ohio Public Works Commission Loan was used to pay for the costs incurred for the Hickory Circle Storm Sewer Project. This is an interest free loan.

Vehicle Loan was issued to purchase a 2004 Ford Crown Victoria Police Cruiser for the police department.

The Village's taxing authority collateralizes all the general obligation debt.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Mortgage Revenue Bonds</u>	<u>Real Estate Acquisition Bonds</u>	<u>Ohio Public Work Commission Loan</u>	<u>Vehicle Loan</u>
2005	\$46,835	\$29,245	\$2,750	\$7,065
2006	45,999	29,295	5,500	7,065
2007	46,056	29,315	5,500	
2008	46,062	29,305	5,500	
2009	46,119	29,265	5,500	
2010-2014	233,389	146,370	27,500	
2015-2019	233,225	146,370	27,500	
2020-2024	184,976	59,480	19,250	
Total	<u>\$882,661</u>	<u>\$498,645</u>	<u>\$99,000</u>	<u>\$14,130</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (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 2004 and 2003, 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 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003 and 2002 (the latest information available):

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Fort Recovery, Mercer County, (the Village), as of and for the years ended December 31, 2004 and 2003, which and have issued our report thereon dated May 17, 2005, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated May 17, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated May 17, 2005, we reported other matters related to noncompliance we deemed immaterial.

Village of Fort Recovery
Mercer County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 17, 2005

**VILLAGE OF FORT RECOVERY
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Sec. 5705.41(B) - Expenditures exceeded appropriations	No	Partially Corrected – citation is issued in the Management Letter
2002-002	ORC Sec. 5705.41(D) – Availability of funds not certified prior to expenditure	No	Partially Corrected – by using blanket purchase orders and then and now certifies the number of incidents were reduced and a citation is issued in the Management Letter



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
JUNE 21, 2005**