

**VILLAGE OF FORT RECOVERY**

DAYTON REGION, MERCER COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Fort Recovery  
201 South Main Street  
P.O. Box 340  
Fort Recovery, Ohio 45846-0340

We have reviewed the *Report of Independent Accountants* of the Village of Fort Recovery, Mercer County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 22, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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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**

**REPORT OF INDEPENDENT ACCOUNTANTS**

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, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its large (i.e. major) funds separately for 2006 and 2005. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005 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, 2006 and 2005, 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 years ended December 31, 2006 and 2005. 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 a report dated July 20, 2007, 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

July 20, 2007



**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, 2006

	<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	\$ 128,691	\$ 163,987	\$ 0	\$ 0	\$ 0	\$ 292,678
Municipal Income Tax	487,028	0	0	0	0	487,028
Intergovernmental Revenues	132,022	71,700	0	0	0	203,722
Special Assessments	30,231	0	0	0	0	30,231
Charges for Services	5,275	28,148	0	0	0	33,423
Fines, Licenses and Permits	469	0	0	0	0	469
Earnings on Investments	7,969	584	0	0	66	8,619
Miscellaneous	5,719	17,332	0	150	0	23,201
<b>Total Cash Receipts</b>	<u>797,404</u>	<u>281,751</u>	<u>0</u>	<u>150</u>	<u>66</u>	<u>1,079,371</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	\$ 115,378	\$ 0	\$ 0	\$ 0	\$ 0	\$ 115,378
Public Health Services	4,385	23,219	0	0	0	27,604
Leisure Time Activities	0	60,032	0	0	0	60,032
Community Environment	127	0	0	0	0	127
Basic Utility Services	0	0	0	0	0	0
Transportation	0	137,615	0	0	0	137,615
General Government	233,222	0	0	0	0	233,222
Debt Service:						
Principal	6,800	0	38,408	0	0	45,208
Interest Charges	263	0	13,092	0	0	13,355
Capital Outlay	56,404	217,866	0	0	0	274,270
<b>Total Cash Disbursements</b>	<u>416,579</u>	<u>438,732</u>	<u>51,500</u>	<u>0</u>	<u>0</u>	<u>906,811</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>380,825</u>	<u>(156,981)</u>	<u>(51,500)</u>	<u>150</u>	<u>66</u>	<u>172,560</u>
<b>Other Financing Sources/(Uses):</b>						
Sale of Fixed Assets	0	0	0	20,000	0	20,000
Transfers-In	0	114,619	47,500	0	0	162,119
Transfers-Out	(282,119)	0	0	0	0	(282,119)
Other Financing Uses	(27,730)	0	0	(135)	0	(27,865)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(309,849)</u>	<u>114,619</u>	<u>47,500</u>	<u>19,865</u>	<u>0</u>	<u>(127,865)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	70,976	(42,362)	(4,000)	20,015	66	44,695
Fund Cash Balances, January 1, 2006	<u>157,379</u>	<u>184,661</u>	<u>35,597</u>	<u>59,752</u>	<u>3,633</u>	<u>441,022</u>
<b>Fund Cash Balances, December 31, 2006</b>	<u>\$ 228,355</u>	<u>\$ 142,299</u>	<u>\$ 31,597</u>	<u>\$ 79,767</u>	<u>3,699</u>	<u>\$ 485,717</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, 2006

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 349,180
Miscellaneous	1,481
Total Operating Cash Receipts	350,661
<b>Operating Cash Disbursements:</b>	
Personal Service	\$ 221,446
Travel Transportation	1,128
Contractual Services	62,845
Supplies and Materials	77,316
Capital Outlay	97,259
Total Operating Cash Disbursements	459,994
Operating Income/ (Loss)	(109,333)
<b>Non-Operating Cash Disbursements:</b>	
Miscellaneous	5,066
Redemption of Principal	(18,600)
Interest and Other Fiscal Charges	(27,399)
Other Financing Uses	29,015
Other Financing Sources	(2,819)
Total Non-Operating Cash Disbursements	(14,737)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(124,070)
Transfers-In	165,999
Transfers-Out	(45,999)
Net Revenues Over/(Under) Expenses	(4,070)
Fund Cash Balances, January 1, 2006	210,407
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$ 206,337</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, 2005

	<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	\$ 122,219	\$ 160,803	\$ 0	\$ 0	\$ 0	\$ 283,022
Municipal Income Tax	482,626	0	0	0	0	482,626
Intergovernmental Revenues	146,028	101,279	0	0	0	247,307
Special Assessments	21,892	0	0	0	0	21,892
Charges for Services	5,270	23,706	0	0	38	29,014
Fines, Licenses and Permits	1,047	0	0	0	0	1,047
Earnings on Investments	4,339	212	0	0	0	4,551
Miscellaneous	3,399	16,690	0	0	0	20,089
<b>Total Cash Receipts</b>	<u>786,820</u>	<u>302,690</u>	<u>0</u>	<u>0</u>	<u>38</u>	<u>1,089,548</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	\$ 129,412	\$ 0	\$ 0	\$ 0	\$ 0	\$ 129,412
Public Health Services	0	23,132	0	0	0	23,132
Leisure Time Activities	0	46,773	0	0	0	46,773
Community Environment	0	36,503	0	0	0	36,503
Basic Utility Services	0	0	0	0	0	0
Transportation	0	101,867	0	0	0	101,867
General Government	234,367	0	0	0	0	234,367
Debt Service:						
Principal	6,579	0	29,711	0	0	36,290
Interest Charges	486	0	14,289	0	0	14,775
Capital Outlay	91,101	250,034	0	0	0	341,135
<b>Total Cash Disbursements</b>	<u>461,945</u>	<u>458,309</u>	<u>44,000</u>	<u>0</u>	<u>0</u>	<u>964,254</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>324,875</u>	<u>(155,619)</u>	<u>(44,000)</u>	<u>0</u>	<u>38</u>	<u>125,294</u>
<b>Other Financing Sources/(Uses):</b>						
Sale of Fixed Assets	0	0	0	60,168	0	60,168
Transfers-In	0	197,758	47,500	0	0	245,258
Transfers-Out	(312,258)	0	0	0	0	(312,258)
Other Financing Uses	(75,694)	0	0	(652)	0	(76,346)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(387,952)</u>	<u>197,758</u>	<u>47,500</u>	<u>59,516</u>	<u>0</u>	<u>(83,178)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(63,077)	42,139	3,500	59,516	38	42,116
<b>Fund Cash Balances, January 1, 2005</b>	<u>220,456</u>	<u>142,522</u>	<u>32,097</u>	<u>236</u>	<u>3,595</u>	<u>398,906</u>
<b>Fund Cash Balances, December 31, 2005</b>	<u>\$ 157,379</u>	<u>\$ 184,661</u>	<u>\$ 35,597</u>	<u>\$ 59,752</u>	<u>3,633</u>	<u>\$ 441,022</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, 2005

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 346,953
Miscellaneous	1,558
	348,511
<b>Operating Cash Disbursements:</b>	
Personal Service	\$ 198,110
Travel Transportation	1,311
Contractual Services	50,721
Supplies and Materials	62,068
Capital Outlay	106,609
	418,819
Operating Income/ (Loss)	(70,308)
<b>Non-Operating Cash Disbursements:</b>	
Miscellaneous	13,730
Redemption of Principal	(18,500)
Interest and Other Fiscal Charges	(28,336)
Other Financing Uses	1,800
Other Financing Sources	(1,606)
Total Non-Operating Cash Disbursements	(32,912)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(103,220)
Transfers-In	113,836
Transfers-Out	(46,836)
	(36,220)
Net Revenues Over/(Under) Expenses	(36,220)
Fund Cash Balances, January 1, 2005	246,627
<b>Fund Cash Balances, December 31, 2005</b>	<b>\$ 210,407</b>

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, 2006 AND 2005

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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:

**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  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

**D. Fund Accounting (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. 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. 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.

**6. Enterprise Funds**

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

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

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

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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 unencumbered cash balance 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 cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 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 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>2006</u>	<u>2005</u>
Demand deposits	\$405,241	\$370,937
Certificates of deposit	286,813	280,492
Total deposits	<u>\$692,054</u>	<u>\$651,429</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.



**FORT RECOVERY  
MERCER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2006 was as follows:

**2006 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 888,985	\$ 797,404	\$ (91,581)
Special Revenue	369,998	396,370	26,372
Debt Service	47,500	47,500	0
Capital Projects	88,000	20,150	(67,850)
Permanent	38	66	28
Enterprise	544,200	550,741	6,541
Total	<u>\$ 1,938,721</u>	<u>\$ 1,812,231</u>	<u>\$ (126,490)</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 962,476	\$ 726,428	\$ 236,048
Special Revenue	470,547	438,732	31,815
Debt Service	51,500	51,500	0
Capital Projects	44,800	135	44,665
Permanent	600	0	600
Enterprise	579,679	554,811	24,868
Total	<u>\$ 2,109,602</u>	<u>\$ 1,771,606</u>	<u>\$ 337,996</u>

Budgetary activity for the year ending December 31, 2005 was as follows:

**2005 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 892,433	\$ 786,820	\$ (105,613)
Special Revenue	488,485	500,448	11,963
Debt Service	19,500	47,500	28,000
Capital Projects	50,000	60,168	10,168
Permanent	35	38	3
Enterprise	465,160	477,877	12,717
Total	<u>\$ 1,915,613</u>	<u>\$ 1,872,851</u>	<u>\$ (42,762)</u>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 1,072,125	\$ 849,897	\$ 222,228
Special Revenue	529,201	458,309	70,892
Debt Service	47,500	44,000	3,500
Capital Projects	6,500	652	5,848
Permanent	600	0	600
Enterprise	558,300	514,097	44,203
Total	<u>\$ 2,214,226</u>	<u>\$ 1,866,955</u>	<u>\$ 347,271</u>

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**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, 2006 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Mortgage Revenue Bonds	\$520,390	5.-7.875%
Ohio Public Works	88,000	0.00%
Real Estate Acquisition Bonds	228,926	5.00%
Total	\$837,316	

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

<b>Year Ending December 31:</b>	<b>Mortgage Revenue Bonds</b>	<b>OPWC</b>	<b>Real Estate Acquisition Bonds</b>
2007	\$ 46,056	\$ 2,750	\$ 24,712
2008	46,062	5,500	24,702
2009	46,119	5,500	24,662
2010	47,118	5,500	24,692
2011	46,910	5,500	24,687
2012 – 2016	232,119	27,500	123,379
2017 – 2021	231,997	27,500	89,705
2022 – 2026	93,447	8,250	0
Total	\$ 789,828	\$ 88,000	\$ 336,539

**VILLAGE OF FORT RECOVERY  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**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 2006 and 2005, 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 9 percent in 2006 and 8.5 percent in 2005 of their wages. The Village contributed an amount equal to 13.7 percent and 13.55 percent of participants' gross salaries in 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

**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 to generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005 (the latest information available):

	<b>2006</b>	<b>2005</b>
Total Assets	\$2,331,284	\$2,241,661
Liabilities	3,130,475	3,457,720
Retained Deficit	\$(799,191)	\$(1,216,059)

**9. FUND RECLASSIFICATIONS**

Beginning January 1, 2005, the Village reclassified its expendable and nonexpendable trusts funds. The expendable Income Tax Fund was transferred to the General Fund and the Cemetery Fund was reclassified as a Special Revenue Fund. The nonexpendable Cemetery Fund was reclassified to a Permanent Fund to reflect the nature of the fund's activity. These reclassifications resulted in the following changes in fund cash balances at January 1, 2005:

		General Fund		Special Revenue		Permanent Fund		Expendable Trust Fund		Non-Expendable Trust Fund
Balance, December 31, 2004	\$	65,603	\$	118,975	\$	0	\$	178,400	\$	3,595
Reclassification of Fund		154,853		23,547		3,595		(178,400)		(3,595)
Balance, January 1, 2005	\$	220,456	\$	142,522	\$	3,595	\$	0	\$	0

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

**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, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 20, 2007, 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 auditing procedures for the purpose of 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.

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 entity'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 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 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 July 20, 2007.

### **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 that are required to be reported under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated July 20, 2007.

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

July 20, 2007



**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  
NOVEMBER 8, 2007**