

**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Forest  
211 West Lima Street  
Forest, Ohio 45843

We have reviewed the *Independent Auditors' Report* of the Village of Forest, Hardin County, prepared by Holbrook & Manter, 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 *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 Forest is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA  
Auditor of State

February 27, 2008

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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Forest  
Hardin County

We have audited the accompanying financial statements of the Village of Forest, Hardin County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State of Ohio 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 larger (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 of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this 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 of Ohio 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 for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Forest, Hardin County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 our report dated November 13, 2007 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.

The image shows a handwritten signature in black ink that reads "Shuller & Manton". The signature is written in a cursive, flowing style.

Certified Public Accountants

November 13, 2007

**VILLAGE OF FOREST  
HARDIN COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>GOVERNMENTAL FUND TYPES</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>	
<b>Cash receipts:-</b>					
Local taxes	\$ 30,582	\$ 0	\$ 0	\$ 0	\$ 30,582
Municipal Income Taxes	259,784	0	0	0	259,784
Intergovernmental	66,276	68,918	0	0	135,194
Interest Income	43,266	1,154	0	0	44,420
Charges for services	0	9,255	0	0	9,255
Fines, licenses, and permits	6,543	0	0	0	6,543
Miscellaneous	17,488	2,602	0	0	20,090
<b>Total cash receipts</b>	<b>423,939</b>	<b>81,929</b>	<b>0</b>	<b>0</b>	<b>505,868</b>
<b>Cash disbursements:-</b>					
<b>Current:-</b>					
Security of persons and property	201,210	0	0	0	201,210
Public health services	12,153	0	0	0	12,153
Leisure time activities	350	62,801	0	0	63,151
Community Environment	6,370	0	0	0	6,370
Transportation	0	49,183	0	0	49,183
General government	86,480	0	0	0	86,480
Capital Outlay	0	0	0	21,364	21,364
<b>Debt Service:-</b>					
Redemption of principal	1,733	0	0	12,787	14,520
Interest and other fiscal charges	258	0	0	4,761	5,019
<b>Total cash disbursements</b>	<b>308,554</b>	<b>111,984</b>	<b>0</b>	<b>38,912</b>	<b>459,450</b>
<b>Total receipts over (under) cash disbursements</b>	<b>115,385</b>	<b>( 30,055)</b>	<b>0</b>	<b>( 38,912)</b>	<b>46,418</b>
<b>Other financing receipts (disbursements):-</b>					
Sale of notes	0	0	0	11,059	11,059
Sale of Fixed Assets	10,000	0	0	0	10,000
Transfers - in	0	49,975	0	37,718	87,693
Transfers - out	( 87,693)	0	0	0	( 87,693)
Other sources	0	0	0	0	0
<b>Total other financing receipts (disbursements)</b>	<b>( 77,693)</b>	<b>49,975</b>	<b>0</b>	<b>48,777</b>	<b>21,059</b>
<b>Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements</b>	<b>37,692</b>	<b>19,920</b>	<b>0</b>	<b>9,865</b>	<b>67,477</b>
<b>Fund cash balances January 1, 2006</b>	<b>136,034</b>	<b>99,323</b>	<b>3,225</b>	<b>89,025</b>	<b>327,607</b>
<b>Fund cash balances, December 31, 2006</b>	<b>\$ 173,726</b>	<b>\$ 119,243</b>	<b>\$ 3,225</b>	<b>\$ 98,890</b>	<b>\$ 395,084</b>
<b>Reserve for encumbrances, December 31, 2006</b>	<b>\$ 4,014</b>	<b>\$ 1,152</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,166</b>

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



**VILLAGE OF FOREST  
HARDIN COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE-  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating cash receipts:-</b>	
Charges for services	\$ 511,123
Miscellaneous	28,453
Total operating cash receipts	539,576
<b>Operating cash disbursements:-</b>	
Personal services	223,552
Contractual services	80,049
Supplies and materials	90,314
Capital outlay	81,645
Total operating cash disbursements	475,560
Operating income	64,016
<b>Non-operating cash receipts:-</b>	
Other debt proceeds	38,750
Total non-operating cash receipts	38,750
<b>Non-operating cash disbursements:-</b>	
Redemption of principal	( 104,880)
Interest other fiscal charges	( 20,293)
Other financing uses	( 3,564)
Total non-operating cash disbursements	( 128,737)
Net receipts over disbursements	( 25,971)
Fund cash balances, January 1, 2006	604,011
Fund cash balances, December 31, 2006	\$ 578,040
<b>Reserve for encumbrances, December 31, 2006</b>	<b>\$ 74,085</b>

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

**VILLAGE OF FOREST  
HARDIN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>GOVERNMENTAL FUND TYPES</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>	
<b>Cash receipts:-</b>					
Local taxes	\$ 27,820	\$ 0	\$ 0	\$ 0	\$ 27,820
Municipal income tax	264,611	0	0	0	264,611
Intergovernmental	92,599	63,057	0	0	155,656
Earnings on Investments	22,432	623	0	0	23,055
Charges for services	0	8,542	0	0	8,542
Fines, licenses, and permits	4,676	0	0	0	4,676
Miscellaneous	15,918	1,307	0	0	17,225
<b>Total cash receipts</b>	<b>428,056</b>	<b>73,529</b>	<b>0</b>	<b>0</b>	<b>501,585</b>
<b>Cash disbursements:-</b>					
<b>Current:-</b>					
Security of persons and property	190,497	0	0	0	190,497
Public health services	12,073	0	0	0	12,073
Leisure time activities	350	50,968	0	0	51,318
Community Environment	13,583	0	0	0	13,583
Transportation	0	76,724	0	0	76,724
General government	82,811	0	0	0	82,811
Capital outlay	0	0	0	0	0
<b>Debt Service:-</b>					
Redemption of Principal	0	0	12,222	0	12,222
Interest and other fiscal charges	0	0	5,326	0	5,326
<b>Total cash disbursements</b>	<b>299,314</b>	<b>127,692</b>	<b>17,548</b>	<b>0</b>	<b>444,554</b>
<b>Total receipts over (under) cash disbursements</b>	<b>128,742</b>	<b>( 54,163)</b>	<b>( 17,548)</b>	<b>0</b>	<b>57,031</b>
<b>Other financing receipts (disbursements):-</b>					
Sale of Bonds	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0
Transfers - in	0	51,019	19,707	1,400	72,126
Transfers - out	( 72,126)	0	0	0	( 72,126)
Other sources	0	28,203	0	0	28,203
<b>Total other financing receipts (disbursements)</b>	<b>( 72,126)</b>	<b>79,222</b>	<b>19,707</b>	<b>1,400</b>	<b>28,203</b>
<b>Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements</b>	<b>56,616</b>	<b>25,059</b>	<b>2,159</b>	<b>1,400</b>	<b>85,234</b>
<b>Fund cash balances January 1, 2005</b>	<b>79,418</b>	<b>74,264</b>	<b>1,066</b>	<b>87,625</b>	<b>242,373</b>
<b>Fund cash balances, December 31, 2005</b>	<b>\$ 136,034</b>	<b>\$ 99,323</b>	<b>\$ 3,225</b>	<b>\$ 89,025</b>	<b>\$ 327,607</b>
<b>Reserve for encumbrances, December 31, 2005</b>	<b>\$ 23,963</b>	<b>\$ 1,752</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 25,715</b>

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

**VILLAGE OF FOREST  
HARDIN COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE-  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating cash receipts:-</b>	
Charges for services	\$ 539,947
Miscellaneous	7,008
	546,955
Total operating cash receipts	546,955
<b>Operating cash disbursements:-</b>	
Personal services	215,066
Contractual services	74,117
Supplies and materials	90,311
Capital outlay	59,819
	439,313
Total operating cash disbursements	439,313
Operating income	107,642
<b>Non-operating cash receipts:-</b>	
Other debt Proceeds	25,000
	25,000
Total non-operating cash receipts	25,000
<b>Non-operating cash disbursements:-</b>	
Redemption of principal	( 51,979)
Interest and other fiscal charges	( 10,599)
Other Financing Uses	( 4,072)
	( 66,650)
Total non-operating cash disbursements	( 66,650)
Net receipts over disbursements	65,992
Fund cash balances, January 1, 2005	538,019
Fund cash balances, December 31, 2005	\$ 604,011
<b>Reserve for encumbrances, December 31, 2005</b>	\$ 74,093

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

**VILLAGE OF FOREST  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

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

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

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

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

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

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

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

**General Fund**

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

**Special Revenue Funds**

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

**Street Construction, Maintenance and Repair Fund**

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

**State Highway Improvement Fund**

This fund receives gasoline and motor vehicle tax money for constructing, maintaining and repairing state highways within the Village.

**Park and Recreation Fund**

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

**VILLAGE OF FOREST  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Debt Service Funds

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

Capital Project Funds

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

Enterprise Funds

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

Water Fund

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

Sewer Fund

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

Solid Waste

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

Sewer Mortgage Debt Service Fund

This fund receives bond and note proceeds to fund a utility plant expansion.

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

Estimated Resources

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

**VILLAGE OF FOREST  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

- F. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements
- G. Unpaid Vacation and Sick Leave** – Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 204,554	\$ 296,177
Certificate of deposit	<u>229,451</u>	<u>25,923</u>
Total deposits	<u>434,005</u>	<u>322,100</u>
Money market	281,699	364,333
STAR Ohio	<u>257,420</u>	<u>245,185</u>
Total investments	<u>539,119</u>	<u>609,518</u>
<b>Total deposits and investments</b>	<b>\$ <u><u>973,124</u></u></b>	<b>\$ <u><u>931,618</u></u></b>

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

**VILLAGE OF FOREST  
HARDIN COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

**NOTE 3 - BUDGETARY ACTIVITY:-**

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

**2006 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 393,862	\$ 433,939	\$ 40,077
Special Revenue	122,900	131,904	9,004
Debt Service	46,107	0	( 46,107)
Capital Project	38,400	48,777	10,377
Enterprise	<u>2,067,145</u>	<u>578,326</u>	<u>( 1,488,819)</u>
<b>Total</b>	<b>\$ <u>2,668,414</u></b>	<b>\$ <u>1,192,946</u></b>	<b>\$ <u>( 1,475,468)</u></b>

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

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 408,298	\$ 400,261	\$ 8,037
Special Revenue	124,665	113,136	11,529
Debt Service	17,549	0	17,549
Capital Projects	32,000	38,912	( 6,912)
Enterprise	<u>2,117,307</u>	<u>678,382</u>	<u>1,438,925</u>
<b>Total</b>	<b>\$ <u>2,699,819</u></b>	<b>\$ <u>1,230,691</u></b>	<b>\$ <u>1,469,128</u></b>

Contrary to Ohio law, estimated resources exceeded actual resources available as of December 31, 2006 by \$46,107 in the Debt Service Fund and by \$1,488,819 in the Enterprise Fund.

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2006 by \$6,912 in the Fire Truck Capital Projects Fund.

**VILLAGE OF FOREST  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 3 - BUDGETARY ACTIVITY:-(continued)**

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

**2005 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 385,023	\$ 428,056	\$ 43,033
Special Revenue	131,160	152,751	21,591
Debt Service	18,720	19,707	987
Capital Project	0	1,400	1,400
Enterprise	<u>2,069,195</u>	<u>571,955</u>	<u>( 1,497,240)</u>
<b>Total</b>	<b>\$ <u>2,604,098</u></b>	<b>\$ <u>1,173,869</u></b>	<b>\$ <u>( 1,430,229)</u></b>

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

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 380,154	\$ 395,403	\$ ( 15,249)
Special Revenue	132,475	129,444	3,031
Debt Service	17,548	17,548	0
Capital Projects	0	0	0
Enterprise	<u>2,128,347</u>	<u>580,056</u>	<u>1,548,291</u>
<b>Total</b>	<b>\$ <u>2,658,524</u></b>	<b>\$ <u>1,122,451</u></b>	<b>\$ <u>1,536,073</u></b>

Contrary to Ohio law, estimated resources exceeded actual resources available as of December 31, 2005 by \$1,497,240 in the Enterprise Fund.

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2005 by \$15,249 in the General Fund.



**VILLAGE OF FOREST  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 4 - PROPERTY TAX:-**

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

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

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

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

**NOTE 5 - DEBT:-**

Debt outstanding at December 31, 2006 was as follows:

	<b>Principal Balance <u>12/31/2006</u></b>
Ohio Water Development Authority Loan 7.21%	\$ 121,754
Ohio Water Development Community Assistance Loan 1.50%	689,350
Ohio Water Development WPCLF Capitalization Grant Fund 0%	900,790
Ohio Water Development New Water Plant Engineering	38,750
Ohio Water Development New Water Plant Engineering	25,000
USDA - G.O. Bond Fire Truck Loan 4.625%	90,145
Community First Bank N.A. Police Cruiser Loan	9,326
<b>Total</b>	<b>\$ <u><u>1,875,115</u></u></b>

**VILLAGE OF FOREST  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 5 - DEBT**:- (continued)

During 1992, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a water line replacement project. The original amount of the loan was \$251,652, which included \$4,555 in capitalized interest. The loan is to be repaid in semiannual installments of \$12,072, including interest over 20 years and has an interest rate of 7.21%. Payments on the outstanding balance began in 1993 and the final installment will be due January 1, 2013. As of December 31, 2006 and 2005, the total outstanding balance was \$121,754 and \$136,085, respectively.

During 2001, the Village entered into a loan agreement with OWDA for phase one of a sewer construction project. The total loan amount is for \$902,064 with an interest rate of 1.5% and is to be paid back over 20 years in semiannual installments of \$26,187. Payments on the outstanding balance began during 2002 and the final payment will be due July 1, 2022. As of December 31, 2006 and 2005, the total outstanding balance was \$689,350 and \$727,205, respectively.

During 2003, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for phase two of the sewer separation project. This loan is administered through OWDA. The total loan amount is \$1,053,861 with an interest rate of 0% and will be paid back over 20 years, with the first payment due January 1, 2005 and the final payment due July 1, 2024. As of December 31, 2006 and 2005, the total outstanding balance was \$900,790 and \$953,483, respectively.

During 2003, the Village issued Fire Apparatus Acquisition Bonds in the principal amount of \$138,000 for the purpose of acquiring fire apparatus, namely a fire truck and related equipment. The United States Department of Agriculture, Rural Development, also known as the USDA, agreed to purchase these bonds, in addition to providing a grant in an amount not to exceed \$37,000 for the acquisition of the fire apparatus. The bonds were dated November 8, 2002, with the interest rate stated at 4.625%. The payments are due annually with the first payment due on November 1, 2003 and the last payment due on November 1, 2012. As of December 31, 2006 and 2005, the total outstanding balance was \$90,145 and \$102,932, respectively. The debt payments for this loan were funded by municipal income tax and were being paid out of the Debt Service fund prior to and during 2005. During 2006, the Village determined that they had a remaining fund balance in the Fire Truck Capital Projects fund which was originally established for the purchase of the fire truck with municipal income tax monies. It was determined that all future payments for the fire truck loan would be funded through the Fire Truck Capital Projects fund until the money was extinguished.

During 2005, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for technical services for the water system improvements project. This loan is administered through OWDA. The total loan amount is \$25,000 with an interest rate of 0% and will be paid back over 10 years, with the first payment due July 1, 2007 and the final payment due July 1, 2016. As of December 31, 2006 and 2005, the total outstanding balance was \$25,000 and \$25,000, respectively.

During 2006, the Village entered into a loan agreement with a division of the Ohio Environmental Protection Agency. The agreement with the Division of Environmental and Financial Assistance (DEFA) is for technical services for the water system improvements project. This loan is administered through OWDA. The total loan amount is \$38,750 with an interest rate of 0% and will be paid back over 10 years, with the first payment due July 1, 2007 and the final payment due July 1, 2017. As of December 31, 2006, the total outstanding balance was \$38,750.

During 2006, the Village entered into a loan agreement with the Community First Bank to purchase a new police cruiser. The payments are made monthly beginning June 26, 2006. The final payment is due June 21, 2009. The total loan amount is \$11,059 with monthly payments of \$331 and a fixed interest rate of 5%. As of December 31, 2006, the total outstanding balance was \$9,326.

**VILLAGE OF FOREST  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 5 - DEBT:-** (continued)

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

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 126,868	\$ 22,520	\$ 149,388
2008	130,757	20,187	150,944
2009	131,039	17,585	148,624
2010	131,386	16,529	147,915
2011	134,065	13,191	147,256
2012-2016	541,148	33,719	574,867
2017-2021	507,127	13,286	520,413
2022-2026	167,225	542	167,767
2027-2031	<u>5,500</u>	<u>0</u>	<u>5,500</u>
<b>Total</b>	<b>\$ <u>1,875,115</u></b>	<b>\$ <u>137,559</u></b>	<b>\$ <u>2,012,674</u></b>

**NOTE 6 - LOCAL INCOME TAXES:-**

The Village levies a municipal income tax of 1.25 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Municipal income tax collected by the Village amounted to approximately \$259,784 in 2006 and \$264,611 in 2005.

**VILLAGE OF FOREST  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 7 - RETIREMENT SYSTEMS:-**

The Villages law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members of PFDPF contributed 10.1% of their wages to the PFDPF. The Village contributed an amount equal to 16.7% of their wages. For 2006 and 2005, members of PERS contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

**NOTE 8 - RISK MANAGEMENT:-**

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

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

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



**Independent Accountants' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Required by Government Auditing Standards**

Village Council  
Village of Forest  
Hardin County

We have audited the financial statements of the Village of Forest, Hardin County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 13, 2007, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting as items 2006-001 and 2006-003.

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 deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-003 is also a material weakness.

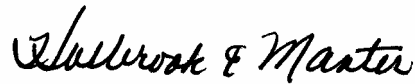
We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 13, 2007.

### Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. . The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-002, 2006-003, and 2006-004.

We did note certain noncompliance or other matters that we reported to the Government's management in a separate letter dated November 13, 2007.

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



Certified Public Accountants

November 13, 2007

**VILLAGE OF FOREST  
HARDIN COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001</b>
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**Significant Deficiency – Internal Control and Review Procedures**

Although the Council Members receive and review a select number of reports from the Fiscal Officer of the Village for approval on a monthly basis, the Village has not established formal procedures to reasonably assure completeness, and accuracy of the monthly reporting. During our testing and analysis, we noted that the Village Council is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Village should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the officials' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Council each month.

**Officials' Response**

The Village Fiscal Officer will provide the bank reconciliations and bank statements to the Trustees for their review and approval at each months meeting. The Village will also document and approve the review of those reports and the numerical sequence of the checks within the monthly minutes.

<b>Finding Number</b>	<b>2006-002</b>
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**Noncompliance Citation – Amending Certificates of Estimated Resources**

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

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

**Officials' Response**

The certificates of estimated resources are now being filed in a timely manner.

**VILLAGE OF FOREST  
HARDIN COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

<b>Finding Number</b>	<b>2006-003</b>
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**Noncompliance Citation – Transfer of Funds  
Significant Deficiency - Material Weakness – Transfer of Funds**

Ohio Revised Code, Section 5705.14, 5705.15, and 5705.16, states which transfers are allowable and which are not allowable. No transfer can be made from one fund of a subdivision to any other fund unless it meets one of the exceptions noted in the Ohio Revised Sections noted above or the proper court approval is received.

During our testing, we noted that a transfer of \$46,107 was made from a Capital Projects fund to the Debt Service fund and the proper procedures were not followed to complete this transfer. As a result, there was a \$46,107 misstatement between these funds, which required an audit adjustment that was approved by management. We recommend referring to the Ohio Revised Code and the Village officers Handbook provided by the Auditor of State when completing transfers to make sure they are being handled properly.

**Officials' Response**

Village is now aware of the restrictions on transferring from one fund to the other and is properly handling any transfers that are made.

<b>Finding Number</b>	<b>2006-004</b>
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**Noncompliance Citation – Appropriations Exceeding Estimated Resources**

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village's appropriations exceeded estimated resources as of December 31, 2006 and 2005, as outlined in Note 3 of the financial statements.

We recommend the Village Council and Fiscal Officer periodically review the Village's appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Village officials should ensure that the Village has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended, the Village should ensure the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

**Officials' Response**

When supplemental appropriations are approved by the Village Council the Fiscal Officer is filing the appropriate paperwork with the County Auditor.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF FOREST  
HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 11, 2008**