

**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**REPORT ON FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**





**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Forest

We have reviewed the Independent Auditor's Report of the Village of Forest, Hardin County, prepared by Holbrook & Manter for the audit period January 1, 2002 through December 31, 2003. 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.

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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 18, 2004

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**INDEPENDENT AUDITORS' REPORT**

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

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, 2003 and December 31, 2002. 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 prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2004 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 grants.

This report is intended solely for the information and use of the management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Holbrook & Manter*

Certified Public Accountants

June 17, 2004  
Marion, Ohio

**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, 2003**

	<b>GOVERNMENT FUND TYPES</b>				<b>(Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>	<b>Total</b>
<b>Cash receipts:</b>					
Local taxes	\$ 28,935	\$ 0	\$ 0	\$ 0	\$ 28,935
Municipal Income Taxes	253,980	0	0	0	253,980
Intergovernmental	48,450	77,007	0	0	125,457
Charges for services	0	7,687	0	0	7,687
Fines, licenses, and permits	5,266	0	0	0	5,266
Miscellaneous	20,650	40	0	0	20,690
<b>Total cash receipts</b>	<b>357,281</b>	<b>84,734</b>	<b>0</b>	<b>0</b>	<b>442,015</b>
<b>Cash disbursements:</b>					
<b>Current:</b>					
Security of persons and property	151,879	0	0	0	151,879
Public health services	7,182	0	0	0	7,182
Leisure time activities	350	74,167	0	0	74,517
Community Environment	6,607	0	0	0	6,607
Transportation	0	61,404	0	0	61,404
General government	90,359	0	0	0	90,359
Capital Outlay	0	0	0	37,824	37,824
Debt Service	0	0	5,000	17,548	22,548
<b>Total cash disbursements</b>	<b>256,377</b>	<b>135,571</b>	<b>5,000</b>	<b>55,372</b>	<b>452,320</b>
<b>Total receipts over/(under) cash disbursements</b>	<b>100,904</b>	<b>( 50,837)</b>	<b>( 5,000)</b>	<b>( 55,372)</b>	<b>( 10,305)</b>
<b>Other financing receipts/(disbursements):</b>					
Sale of notes	0	0	0	6,000	6,000
Transfers - in	0	49,205	738	33,057	83,000
Transfers - out	( 83,000)	0	0	0	( 83,000)
Other sources	0	0	5,000	0	5,000
Other uses	0	0	0	0	0
<b>Total other financing receipts/(disbursements)</b>	<b>( 83,000)</b>	<b>49,205</b>	<b>5,738</b>	<b>39,057</b>	<b>11,000</b>
<b>Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements</b>	<b>17,904</b>	<b>( 1,632)</b>	<b>738</b>	<b>( 16,315)</b>	<b>695</b>
Fund cash balances January 1, 2003	92,164	69,600	0	101,802	263,566
Fund cash balances, December 31, 2003	<u>\$ 110,068</u>	<u>\$ 67,968</u>	<u>\$ 738</u>	<u>\$ 85,487</u>	<u>\$ 264,261</u>
Reserve for encumbrances, December 31, 2003	<u>\$ 15,935</u>	<u>2,374</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,309</u>

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



**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN**  
**FUND CASH BALANCES - PROPRIETARY FUND TYPE-**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating cash receipts:</b>	
Charges for services	\$ 493,555
Miscellaneous	5,241
	<b>498,796</b>
<b>Operating cash disbursements:</b>	
Personal services	169,189
Contractual services	106,784
Supplies and materials	86,178
Capital outlay	61,626
	<b>423,777</b>
Total operating cash receipts	<b>498,796</b>
Total operating cash disbursements	<b>423,777</b>
Operating income	<b>75,019</b>
Non-operating cash receipts:	
Miscellaneous	0
Other non-operating revenues	10,196
	<b>10,196</b>
Total non-operating cash receipts	<b>10,196</b>
Non-operating cash disbursements:	
Redemption of principal	50,935
Interest and other fiscal charges	25,406
Other non-operating cash disbursements	1,897
	<b>78,238</b>
Total non-operating cash disbursements	<b>78,238</b>
Excess of receipts over disbursements before interfund transfers and advances	<b>6,977</b>
Net receipts over disbursements	<b>6,977</b>
Fund cash balances, January 1, 2003	451,377
Fund cash balances, December 31, 2003	\$ <b>458,354</b>
Reserve for encumbrances, December 31, 2003	\$ 81,598

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, 2002**

	<b>GOVERNMENT FUND TYPES</b>				<b>(Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>	<b>Total</b>
<b>Cash receipts:</b>					
Local taxes	\$ 25,539	\$ 0	\$ 0	\$ 0	\$ 25,539
Municipal Income Taxes	247,867	0	0	0	247,867
Intergovernmental	57,349	74,296	0	37,000	168,645
Charges for services	0	7,296	0	0	7,296
Fines, licenses, and permits	3,029	0	0	0	3,029
Miscellaneous	25,162	343	0	0	25,505
<b>Total cash receipts</b>	<b>358,946</b>	<b>81,935</b>	<b>0</b>	<b>37,000</b>	<b>477,881</b>
<b>Cash disbursements:</b>					
<b>Current:</b>					
Security of persons and property	177,362	0	0	251,611	428,973
Public health services	7,120	0	0	0	7,120
Leisure time activities	350	107,062	0	0	107,412
Community Environment	9,560	0	0	0	9,560
Transportation	0	49,667	0	9,933	59,600
General government	119,232	0	0	1,659	120,891
Capital outlay	0	0	0	0	0
<b>Total cash disbursements</b>	<b>313,624</b>	<b>156,729</b>	<b>0</b>	<b>263,203</b>	<b>733,556</b>
<b>Total receipts over/(under) cash disbursements</b>	<b>45,322</b>	<b>( 74,794)</b>	<b>0</b>	<b>(226,203)</b>	<b>( 255,675)</b>
<b>Other financing receipts/(disbursements):</b>					
Sale of Bonds	0	0	0	138,000	138,000
Sale of Fixed Assets	4,666	0	0	0	4,666
Transfers - in	0	46,339	0	55,906	102,245
Transfers - out	(102,245)	0	0	0	( 102,245)
Other sources	0	0	0	0	0
Other uses	0	0	0	0	0
<b>Total other financing receipts/(disbursements)</b>	<b>( 97,579)</b>	<b>46,339</b>	<b>0</b>	<b>193,906</b>	<b>142,666</b>
<b>Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements</b>	<b>( 52,257)</b>	<b>( 28,455)</b>	<b>0</b>	<b>( 32,297)</b>	<b>( 113,009)</b>
<b>Fund cash balances January 1, 2002</b>	<b>144,421</b>	<b>98,055</b>	<b>0</b>	<b>134,099</b>	<b>376,575</b>
<b>Fund cash balances, December 31, 2002</b>	<b>\$ 92,164</b>	<b>\$ 69,600</b>	<b>\$ 0</b>	<b>\$ 101,802</b>	<b>\$ 263,566</b>
<b>Reserve for encumbrances, December 31, 2002</b>	<b>\$ 13,446</b>	<b>\$ 10,840</b>	<b>\$ 0</b>	<b>\$ 1,338</b>	<b>\$ 25,624</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 CHANGE IN**  
**FUND CASH BALANCES - PROPRIETARY FUND TYPE-**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating cash receipts:</b>	
Charges for services	\$ 504,388
Miscellaneous	3,237
Total operating cash receipts	<b>507,625</b>
<b>Operating cash disbursements:</b>	
Personal services	127,903
Contractual services	123,576
Supplies and materials	71,202
Capital outlay	578,099
Total operating cash disbursements	<b>900,780</b>
Operating income	<b>( 393,155)</b>
<b>Non-operating cash receipts:</b>	
Miscellaneous	0
Other non-operating revenues	433,699
Total non-operating cash receipts	<b>433,699</b>
<b>Non-operating cash disbursements:</b>	
Redemption of Principal	19,421
Interest and other fiscal charges	6,766
Other non-operating cash disbursements	31,776
Total non-operating cash disbursements	<b>57,963</b>
Excess of receipts over disbursements before interfund transfers and advances	<b>( 17,419)</b>
Net receipts over disbursements	<b>( 17,419)</b>
Fund cash balances, January 1, 2002	468,796
Fund cash balances, December 31, 2002	\$ <b>451,377</b>
Reserve for encumbrances, December 31, 2002	\$ 123,051

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, 2003 AND 2002**

**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, 2003 AND 2002**

**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.

Fire House and City Building Fund

This fund receives proceeds from the Capital Projects Fund and is used to pay the debt on the Fire House and City Building.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project funds:

Fire House and City Building Fund

This fund receives proceeds of income tax and is transferred to the Debt Service Fund.

Fire Truck Fund

This fund receives transfers from other funds for the purchase of a Fire Truck.

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.

**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

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

Estimated Resources

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

Encumbrances

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

A summary of 2003 and 2002 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>2003</u>	<u>2002</u>
Demand deposits	\$ 260,734	\$ 258,516
Certificate of deposit	<u>25,000</u>	<u>25,000</u>
Total deposits	<u>285,734</u>	<u>283,516</u>
Money market	202,509	0
STAR Ohio	<u>234,372</u>	<u>431,427</u>
Total investments	<u>436,881</u>	<u>431,427</u>
Total deposits and investments	<u>\$ 722,615</u>	<u>\$ 714,943</u>

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

**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2003 was as follows:

**2003 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 351,371	\$ 357,281	\$ 5,910
Special Revenue	134,357	133,939	( 418)
Debt Service	5,000	5,738	738
Capital Project	38,000	39,057	1,057
Enterprise	<u>1,411,257</u>	<u>508,992</u>	<u>( 902,265)</u>
Total	<u>\$ 1,939,985</u>	<u>\$ 1,045,007</u>	<u>\$ ( 894,978)</u>

**2003 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 383,119	\$ 355,312	\$ 27,807
Special Revenue	172,668	137,945	34,723
Debt Service	6,032	5,000	1,032
Capital Projects	67,428	55,372	12,056
Enterprise	<u>1,749,867</u>	<u>583,613</u>	<u>1,166,254</u>
Total	<u>\$ 2,379,114</u>	<u>\$ 1,137,242</u>	<u>\$ 1,241,872</u>

**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

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

Budgetary activity for the year ending December 31, 2002 was as follows:

**2002 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 379,838	\$ 363,612	\$ ( 16,226)
Special Revenue	161,390	128,274	( 33,116)
Debt Service	0	0	0
Capital Project	230,740	230,906	166
Enterprise	<u>1,411,486</u>	<u>941,324</u>	<u>( 470,162)</u>
Total	<u>\$ 2,183,454</u>	<u>\$ 1,664,116</u>	<u>\$ ( 519,338)</u>

**2002 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 525,122	\$ 429,315	\$ 95,807
Special Revenue	206,081	167,569	38,512
Debt Service	0	0	0
Capital Projects	271,500	264,541	6,959
Enterprise	<u>2,563,873</u>	<u>1,081,794</u>	<u>1,482,079</u>
Total	<u>\$ 3,566,576</u>	<u>\$ 1,943,219</u>	<u>\$ 1,623,357</u>



**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

**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, 2003, was as follows:

	<b>Principal Balance <u>12/31/2003</u></b>
Ohio Water Development Authority Loan 7.21%	\$ 161,922
Ohio Water Development Community Assistance Loan 1.50%	778,732
Ohio Water Development Fresh Water Loan 5.65%	434
USDA - G.O. Bond Fire Truck Loan 4.625%	126,835
Total	<u>\$ 1,067,923</u>

The Ohio Water Development Authority (OWDA) loan relates to a water line replacement project. The loan will be repaid in semiannual installments of \$12,071.65, including interest over 20 years.

During 2001, the Village entered into a new loan agreement with OWDA for phase one of the sewer construction project. The total loan amount is for \$902,063.89 with an interest rate of 1.5% and will be paid back over 20 years in semiannual installments of \$26,187.06. Payments on the outstanding balance began during 2002 and the final payment will be due July 1, 2022. As of December 31, 2003, the Village has drawn \$837,435, including \$5,908 of capitalized interest, on the loan.

**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

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

During 2002, the Village entered into a new loan agreement for the replacement sewer design project. The total loan amount is for \$90,000 with an interest rate of 5.65%, with payment due in full on July 1, 2007. No payment is set up for this loan since it is set up as a balloon loan. As of December 31, 2003, the Village has drawn \$434, including \$34 of capitalized interest, on the loan.

During 2003, the Village entered into a new loan agreement with the Ohio Environmental Protection Agency, also known as DEFA for phase two of the sewer construction project. This loan is administered through OWDA. The total loan amount is for \$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, 2003, the Village has had no draws on this loan.

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.

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

<b><u>Year</u></b> <b><u>Ending</u></b> <b><u>December 31</u></b>	<b><u>OWDA</u></b> <b><u>Loans</u></b>	<b><u>USDA</u></b> <b><u>Loan</u></b>
2004	\$ 76,517	\$ 17,564
2005	76,517	17,548
2006	76,517	17,548
2007	76,951	17,548
2008	76,517	17,557
Subsequent	<u>763,322</u>	<u>70,192</u>
Total	1,146,341	157,957
Less: Interest Expense	<u>205,253</u>	<u>31,122</u>
	<u>\$ 941,088</u>	<u>\$ 126,835</u>

**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

**NOTE 6 – LEASE OBLIGATIONS:-**

In 1999, the Village acquired a new GMC Refuse Truck through Associates Commercial Corporation and entered into a lease agreement. The lease agreement was for \$83,549. The lease is accounted for as a capital lease.

The capital lease obligation for the village for year ended December 31, 2003 is as follows:

	<b>Balance</b>
	<b>12/31/2003</b>
GMC Refuse Truck	\$ <u><u>4,888</u></u>

The outstanding lease obligation is payable in sixty monthly installments. The annual requirements to pay the lease balance outstanding as of December 31, 2003, are as follows.

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$ 4,834	\$ 54	\$ 4,888

**NOTE 7 – LOCAL INCOME TAXES:-**

This locally levied tax of 1.25 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of Forest and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to net income of business organizations operating within Forest. The tax receipts are credited to the General Fund and amounted to \$253,980 in 2003 and \$247,867 in 2002.

**NOTE 8 – 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 2003 and 2002, members of PFDPF contributed 10.1% of their wages to the PFDPF. The Village contributed an amount equal to 16.7% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants’ gross salary. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF FOREST**  
**HARDIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

**NOTE 9 – 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.



**Report on Compliance and on Internal Control Required by *Government Auditing Standards***

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

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, 2003 and December 31, 2002, and have issued our report thereon dated June 17, 2004. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village’s financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 is required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Management of the Village in a separate letter dated June 14, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the Management of the Village in a separate letter dated June 14, 2004.

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

*Holbrook & Manter*

Certified Public Accountants

June 17, 2004  
Marion, Ohio

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**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  
SEPTEMBER 2, 2004**