

Village of Shreve
Wayne County, Ohio

Regular Audit

For the Years Ended December 31, 2001 - 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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Village Council
Village of Shreve
150 W. McConkey St.
Shreve, Ohio 44676

We have reviewed the Independent Auditor's Report of the Village of Shreve, Wayne County, prepared by Knox & Knox, for the audit period January 1, 2000 through December 31, 2001. 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 Shreve is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 20, 2002

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VILLAGE OF Shreve
WAYNE COUNTY, OHIO

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KNOX & KNOX

Accountants and Consultants

Report of Independent Accountants

Shreve Village Council
Village of Shreve
Wayne County
150 West McConkey Street
Shreve, Ohio 44676

To the Members of Village Council:

We have audited the accompanying financial statements of the Village of Shreve, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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 generally accepted accounting principles.

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 as of December 31, 2001 and December 31, 2000, 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 May 29, 2002 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. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Village Council 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.

Knox & Knox

Orrville, Ohio
May 29, 2002

VILLAGE OF SHREVE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			Fiduciary Fund Type	Total
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts:					
Local Taxes	\$ 47,229	\$ -0-	\$ -0-	\$ 243,774	\$ 291,003
Intergovernmental	86,391	107,519	36,048	-0-	229,958
Charges For Services	33,301	-0-	-0-	-0-	33,301
Fines, License and Permits	18,273	200	-0-	-0-	18,473
Miscellaneous	<u>88,061</u>	<u>86</u>	<u>-0-</u>	<u>-0-</u>	<u>88,147</u>
Total Cash Receipts	273,255	107,805	36,048	243,774	660,882
Cash Disbursements:					
Security of Persons and Property	261,892	32,524	-0-	-0-	294,416
Public Health Services	4,976	-0-	-0-	-0-	4,976
Leisure Time Activities	12,123	-0-	-0-	-0-	12,123
Transportation	-0-	98,562	-0-	-0-	98,562
Community Environment	1,260	-0-	-0-	-0-	1,260
General Government	122,098	-0-	-0-	83,547	205,645
Capital Outlay	<u>33,932</u>	<u>39,337</u>	<u>166,562</u>	<u>-0-</u>	<u>239,831</u>
Total Cash Disbursements	<u>436,281</u>	<u>170,423</u>	<u>166,562</u>	<u>83,547</u>	<u>856,813</u>
Total Cash Receipts Over/(Under)					
Cash Disbursements	< 163,026>	< 62,618>	<130,514>	160,227	< 195,931>
Other Financing Receipts/ Disbursements:					
Transfers-In	168,000	65,000	259,000	-0-	492,000
Transfers-Out	-0-	-0-	-0-	< 450,000>	< 450,000>
Other Sources	-0-	-0-	-0-	-0-	-0-
Other Uses	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>< 929></u>	<u>< 929></u>
Total Other Financing Receipts/Disbursements:	<u>168,000</u>	<u>65,000</u>	<u>259,000</u>	<u><450,929></u>	<u>41,071</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	<u>4,974</u>	<u>2,382</u>	<u>128,486</u>	<u><290,702></u>	<u><154,860></u>
Fund Cash Balances, 1/1/01	<u>183,510</u>	<u>59,979</u>	<u>11,286</u>	<u>468,933</u>	<u>723,708</u>
Fund Cash Balances, 12/31/01	<u>\$188,484</u>	<u>\$ 62,361</u>	<u>\$139,772</u>	<u>\$ 178,231</u>	<u>\$568,848</u>
Reserve for Encumbrances, 12/31/01	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

VILLAGE OF SHREVE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$400,066	\$ -0-	\$ 400,066
Fines	<u>-0-</u>	<u>17,594</u>	<u>17,594</u>
Total Operating Cash Receipts	400,066	17,594	417,660
 Operating Cash Disbursements:			
Personal Services	95,863	-0-	95,863
Contractual Services	84,942	-0-	84,942
Supplies and Materials	40,037	-0-	40,037
Capital Outlay	27,103	-0-	27,103
Miscellaneous	<u>-0-</u>	<u>17,594</u>	<u>17,594</u>
Total Operating Cash Disbursements	247,945	<u>17,594</u>	<u>265,539</u>
Operating Income/(Loss)	152,121	-0-	152,121
 Non-operating Cash Receipts:			
Other Non-Operating Receipts	<u>3,432</u>	<u>-0-</u>	<u>3,432</u>
Total Non-Operating Cash Receipts	3,432	-0-	3,432
 Non-Operating Cash Disbursements:			
Debt Service	142,109	-0-	142,109
Other Non-Operating Expenses	<u>2,776</u>	<u>-0-</u>	<u>2,776</u>
Total Non-Operating Cash Disbursements	<u>144,885</u>	<u>-0-</u>	<u>144,885</u>
Excess of Non-Operating Receipts Over/(under) Non-Operating Disbursements	< 141,453 >	-0-	< 141,453 >
Transfers - In	-0-	-0-	-0-
Transfers - Out	<u>< 42,000 ></u>	<u>-0-</u>	<u>< 42,000 ></u>
Net Receipts Over/(Under) Disbursements	<31,332 >	-0-	< 31,332 >
Fund Cash Balances, 1/1/01	<u>449,656</u>	<u>-0-</u>	<u>449,656</u>
Fund Cash Balances, 12/31/01	<u>\$418,324</u>	<u>\$ -0-</u>	<u>\$ 418,324</u>
Reserve for Encumbrances, 12/31/01	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

VILLAGE OF SHREVE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types			Fiduciary	Total
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
Cash Receipts:					
Local Taxes	\$ 45,013	\$ -0-	\$ -0-	\$257,803	\$302,816
Intergovernmental	106,816	100,484	-0-	-0-	207,300
Charges For Services	22,391	-0-	-0-	-0-	22,391
Fines, License and Permits	19,159	-0-	-0-	-0-	19,159
Miscellaneous	<u>80,091</u>	<u>82</u>	<u>-0-</u>	<u>371</u>	<u>80,544</u>
Total Cash Receipts	273,470	100,566	-0-	258,174	632,210
Cash Disbursements:					
Security of Persons and Property	232,556	62,892	-0-	-0-	295,448
Public Health Services	4,679	-0-	-0-	-0-	4,679
Leisure Time Activities	8,420	-0-	-0-	-0-	8,420
Transportation	-0-	100,058	-0-	-0-	100,058
Community Environment	6,250	-0-	-0-	-0-	6,250
General Government	93,040	-0-	-0-	75,209	168,249
Capital Outlay	<u>42,714</u>	<u>4,775</u>	<u>63,714</u>	<u>-0-</u>	<u>111,203</u>
Total Cash Disbursements	<u>387,659</u>	<u>167,725</u>	<u>63,714</u>	<u>75,209</u>	<u>694,307</u>
Total Cash Receipts Over/(Under)					
Cash Disbursements	<114,189>	< 67,159>	< 63,714>	182,965	< 62,097>
Other Financing Receipts/ Disbursements:					
Transfers-In	-0-	62,642	19,121	-0-	81,763
Transfers-Out	-0-	-0-	-0-	< 91,763>	< 91,763>
Other Uses	<u>4,365</u>	<u>-0-</u>	<u>-0-</u>	<u>< 2,115></u>	<u>< 6,480></u>
Total Other Financing Receipts/Disbursements:	< <u>4,365</u> >	<u>62,642</u>	<u>19,121</u>	<u><93,878></u>	<u>< 16,480></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	< 118,554>	< 4,517>	< 44,593>	89,087	< 78,577>
Fund Cash Balances, 1/1/00	<u>302,064</u>	<u>64,496</u>	<u>55,879</u>	<u>379,846</u>	<u>802,285</u>
Fund Cash Balances, 12/31/00	<u>\$ 183,510</u>	<u>\$ 59,979</u>	<u>\$11,286</u>	<u>\$ 468,933</u>	<u>\$723,708</u>
Reserve for Encumbrances, 12/31/00	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

VILLAGE OF SHREVE
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Types	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 404,146	\$ -0-	\$ 404,146
Fines	-0-	22,438	22,438
Total Operating Cash Receipts	404,146	22,438	426,584
Operating Cash Disbursements:			
Personal Services	94,316	-0-	94,316
Contractual Services	77,294	-0-	77,294
Supplies and Materials	35,446	-0-	35,446
Capital Outlay	43,936	-0-	43,936
Miscellaneous	-0-	25,131	25,131
Total Operating Cash Disbursements	250,992	25,131	276,123
Operating Income/(Loss)	153,154	< 2,693>	150,461
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	2,943	-0-	2,943
Total Non-Operating Cash Receipts	2,943	-0-	2,943
Non-Operating Cash Disbursements:			
Debt Service	142,109	-0-	142,109
Other Non-Operating Cash Disbursements	2,909	-0-	2,909
Total Non-Operating Cash Disbursements	145,018	-0-	145,018
Excess of Non-Operating Receipts Over(under)Non-Operating Disbursements	< 142,075>	-0-	< 142,075>
Transfers - In	10,000	-0-	10,000
Transfers - Out	-0-	-0-	-0-
Net Receipts Over/(Under) Disbursements	21,079	< 2,693>	18,386
Fund Cash Balances, 1/1/00	428,577	2,693	431,270
Fund Cash Balances, 12/31/00	\$ 449,656	\$ -0-	\$ 449,656
Reserve for Encumbrances, 12/31/00	\$ -0-	\$ -0-	\$ -0-

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

VILLAGE OF SHREVE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Shreve, Wayne County, (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, maintenance of Village roads and bridges, park operations, and police services.

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 are valued at cost.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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 license tax money for constructing, maintaining and repairing Village streets.

COPS Fast Fund- This fund receives intergovernmental revenues to pay for policing services.

VILLAGE OF SHREVE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Capital Projects Funds

This fund is 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 projects fund:

Capital Improvement Fund - This fund receives a portion of income tax revenue to pay for capital improvements of the Village.

Enterprise Fund

These funds 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.

Sewer Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to pay for improvements to the waste water treatment system. Utility surcharges used to pay this debt are also accounted for in this fund.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Income Tax Fund - This fund is used to record the collection of self-assessed taxes, the cost of collecting such tax, and the distribution to various other funds in accordance with Village ordinances.

Mayor's Court Fund - This fund is used to record the collection of fines and the distribution of those funds to the various agencies as outlined in the Ohio Revised Code.

VILLAGE OF SHREVE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2001 and 2000 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. Accumulated 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.

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>2001</u>	<u>2000</u>
Dem and deposit	\$ 987,172	\$ 253,280
Certificates of deposit	-0-	920,084
Total Deposits	<u>\$ 987,172</u>	<u>\$1,173,364</u>

Deposits:

Deposits are (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF SHREVE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 534,230	\$ 441,255	<\$ 92,975>
Special Revenue	71,215	172,805	101,590
Capital Projects	514,500	295,048	< 219,452>
Enterprise	413,500	403,498	< 10,002>
Fiduciary	<u>237,594</u>	<u>261,368</u>	<u>23,774</u>
Total	<u>\$1,771,039</u>	<u>\$1,573,974</u>	<u><\$ 197,065></u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 484,264	\$ 436,281	\$ 47,983
Special Revenue	204,823	170,423	34,400
Capital Projects	721,017	166,562	554,455
Enterprise	596,874	434,830	162,044
Fiduciary	<u>564,094</u>	<u>552,070</u>	<u>12,024</u>
Total	<u>\$2,571,072</u>	<u>\$ 1,760,166</u>	<u>\$ 810,906</u>

VILLAGE OF SHREVE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

3. Budgetary Activity (Continued)

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$495,380	\$ 273,470	<\$221,910>
Special Revenue	116,214	163,208	46,994
Capital Projects	75,000	19,121	< 55,879>
Enterprise	460,800	417,089	< 43,711>
Fiduciary	<u>257,438</u>	<u>280,612</u>	<u>23,174</u>
Total	<u>\$ 1,404,832</u>	<u>\$ 1,153,500</u>	<u><\$ 251,332></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 440,809	\$ 392,024	\$ 48,785
Special Revenue	182,685	167,725	14,960
Capital Projects	75,000	63,714	11,286
Enterprise	556,475	396,010	160,465
Fiduciary	<u>404,631</u>	<u>194,218</u>	<u>210,413</u>
Total	<u>\$ 1,659,600</u>	<u>\$1,213,691</u>	<u>\$ 445,909</u>

Contrary to Ohio law, appropriations exceeded the estimated resources in several Village funds, during 2001 and 2000.

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 payments, 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.

VILLAGE OF SHREVE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

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 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 quarterly. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 419,398	7.89%

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has initially provided a loan of \$1,224,592 to the Village for this project. The loan will be repaid in semiannual installments of \$ 71,054, including interest, over 15 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

<u>Year ending</u> <u>December 31:</u>	<u>OWDA</u> <u>Loans</u>
2002	\$ 71,054
2003	142,109
2004	142,109
2005	142,109
Subsequent	-0-
Total	<u>\$ 497,381</u>

VILLAGE OF SHREVE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

7. Retirement Systems

The Village's 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 healthcare, 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 2001 and 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001, and from January 1, 2000, through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000, through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. Risk Management

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Public officials' liability
- Vehicles
- Crime
- Property (buildings and contents)
- Law enforcement
- Inland marine

The Village is a member of the Ohio Governments Risk Management (the Management) for liability insurance. The Management reduces the premiums that would have to be paid for individual Villages by combining all of the participating villages and rating those for a percentage needed to pay.

The Village is a member of the Ohio Municipal League Village Workers Compensation Group Rating Plan (the Plan). The plan reduces the premiums that would have to be paid for individual villages by combining all of the participating villages and rating those for a percentage needed to pay.

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

9. Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

The Village is a defendant in a gender discrimination claim. The complaint was filed in Wayne County Common Pleas Court. The trial is early in the discovery phase, and legal counsel is unable to estimate the likelihood of an unfavorable outcome or the range of the potential loss.

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Shreve Village Council
Village of Shreve
Wayne County
150 West McConkey Street.
Shreve, Ohio 44676

To the Members of Village Council:

We have audited the financial statements of the Village of Shreve, Wayne County, Ohio (the Village), as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated May 29, 2002. 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 *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 its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2001-30985-001. We have also noted other immaterial instances of non-compliance that we have reported to the Village in a separate letter dated May 29, 2002.

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 management of the Village, in a separate letter dated May 29, 2002.

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

KNOX & KNOX

Orrville, Ohio
May 29, 2002

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30985-001

Noncompliance Citation

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During fiscal year 2001, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Street Maintenance and Repair	\$ 95,000	\$ 119,600	\$ 24,600
COPS Fast	\$ 27,723	\$ 50,554	\$ 22,831
Capital Improvement	\$ 104,786	\$ 185,036	\$ 80,250

During fiscal year 2000, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Street Maintenance and Repair	\$ 80,393	\$ 108,293	\$ 27,900

To avoid overspending, the Village should not appropriate in excess of estimated resources.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1999-30985-001	Ohio Revised Code Section 5705.41(B) prohibits an expenditure unless it has been properly appropriated.	Fully corrected in 2000	



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OFFICE OF THE AUDITOR

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VILLAGE OF SHREVE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2002**