

**VILLAGE OF SHREVE
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

Village Council
Village of Shreve
150 West McConkey Street
PO Box 604
Shreve, Ohio 44676

We have reviewed the *Independent Accountants' Report* of the Village of Shreve, Wayne County, prepared by Knox & Knox for the audit period January 1, 2003 through December 31, 2004. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the AOS 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 Shreve is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 13, 2005

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**VILLAGE OF SHREVE
WAYNE COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Shreve
Wayne County
150 West McConkey Street
P.O. Box 604
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, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of the 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 permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Shreve, Wayne County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and reserves for encumbrances 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 year ended December 31, 2004. The Government 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 25, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Knox & Knox

Orrville, Ohio
November 25, 2005

**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, 2004**

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects		
Cash Receipts:					
Local Taxes	\$ 52,887	\$	\$	\$241,812	\$294,699
Intergovernmental	116,606	64,523			181,129
Charges for Services	66,597				66,597
Fines, Licenses and Permits	6,598				6,598
Miscellaneous	<u>45,556</u>	<u>26</u>			<u>45,582</u>
Total Cash Receipts	288,244	64,549		241,812	594,605
Cash Disbursements:					
Security of Persons and Property	289,155				289,155
Public Health Services	4,956				4,956
Transportation	3,848	81,708			85,556
General Government	90,165			44,283	134,448
Capital Outlay	<u>540</u>	<u>7,478</u>	<u>13,670</u>		<u>21,688</u>
Total Cash Disbursements	<u>388,664</u>	<u>89,186</u>	<u>13,670</u>	<u>44,283</u>	<u>535,803</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u><100,420></u>	<u><24,637></u>	<u><13,670></u>	<u>197,529</u>	<u>58,802</u>
Other Financing Receipts/ (Disbursements):					
Transfers-In	100,000				100,000
Transfers-Out				<100,000>	<100,000>
Other Uses				<u><569></u>	<u><569></u>
Total Other Financing Receipts/(Disbursements)	<u>100,000</u>			<u><100,569></u>	<u><569></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u><420></u>	<u>< 24,637></u>	<u><13,670></u>	<u>96,960</u>	<u>58,233</u>
Fund Cash Balances, 01/01/04	<u>44,883</u>	<u>38,802</u>	<u>59,670</u>	<u>162,331</u>	<u>305,686</u>
Fund Cash Balances, 12/31/04	<u>\$ 44,463</u>	<u>\$ 14,165</u>	<u>\$ 46,000</u>	<u>\$259,291</u>	<u>\$363,919</u>
Reserves for Encumbrances, 12/31/04	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</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, 2004**

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Total (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$422,985	\$	\$422,985
Fines	<u> </u>	<u>10,473</u>	<u>10,473</u>
Total Operating Cash Receipts	<u>422,985</u>	<u>10,473</u>	<u>433,458</u>
Operating Cash Disbursements:			
Personal Services	146,014		146,014
Contractual Services	105,189		105,189
Supplies and Materials	37,891		37,891
Capital Outlay	12,154		12,154
Miscellaneous	<u> </u>	<u>10,473</u>	<u>10,473</u>
Total Operating Cash Disbursements	<u>301,248</u>	<u>10,473</u>	<u>311,721</u>
Operating Income/(Loss)	<u>121,737</u>	<u> </u>	<u>121,737</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	<u>9,708</u>	<u> </u>	<u>9,708</u>
Total Non-Operating Cash Receipts:	<u>9,708</u>	<u> </u>	<u>9,708</u>
Non-Operating Cash Disbursements:			
Debt Service	142,109		142,109
Other Non-Operating Expenses	<u>4,852</u>	<u> </u>	<u>4,852</u>
Total Non-Operating Cash Disbursements:	<u>146,961</u>	<u> </u>	<u>146,961</u>
Excess of Non-Operating Receipts Over/(Under) Non-Operating Disbursements	<u><137,253></u>	<u> </u>	<u><137,253></u>
Net Receipts Over/(Under) Disbursements	<u><15,516></u>	<u> </u>	<u><15,516></u>
Fund Cash Balances, 01/01/04	<u>412,632</u>	<u> </u>	<u>412,632</u>
Fund Cash Balances, 12/31/04	<u>\$397,116</u>	<u>\$</u>	<u>\$ 397,116</u>
Reserves for Encumbrances, 12/31/04	<u>\$</u>	<u>\$</u>	<u>\$</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, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Total
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts:					
Local Taxes	\$ 52,354	\$	\$	\$235,303	\$ 287,657
Intergovernmental	65,496	54,258			119,754
Charges for Services	50,720				50,720
Fines, Licenses and Permits	12,684	75			12,759
Miscellaneous	<u>38,283</u>	<u>88</u>			<u>38,371</u>
Total Cash Receipts	219,537	54,421		235,303	509,261
Cash Disbursements:					
Security of Persons and Property	292,693				292,693
Public Health Services	5,048				5,048
Leisure Time Activities	7,974				7,974
Transportation		80,898			80,898
General Government	93,241			44,891	138,132
Capital Outlay		<u>4,840</u>			<u>4,840</u>
Total Cash Disbursements	<u>398,956</u>	<u>85,738</u>		<u>44,891</u>	<u>529,585</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u><179,419></u>	<u><31,317></u>		<u>190,412</u>	<u><20,324></u>
Other Financing Receipts/ (Disbursements):					
Transfers-In	200,000	39,000			239,000
Transfers-Out				<239,000>	<239,000>
Other Uses				<u><1,650></u>	<u><1,650></u>
Total Other Financing Receipts/(Disbursements)	<u>200,000</u>	<u>39,000</u>		<u><240,650></u>	<u><1,650></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>20,581</u>	<u>7,683</u>		<u><50,238></u>	<u><21,974></u>
Fund Cash Balances, 01/01/03	<u>24,302</u>	<u>31,119</u>	<u>59,670</u>	<u>212,569</u>	<u>327,660</u>
Fund Cash Balances, 12/31/03	<u>\$44,883</u>	<u>\$38,802</u>	<u>\$59,670</u>	<u>\$ 162,331</u>	<u>\$ 305,686</u>
Reserves for Encumbrances, 12/31/03	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</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, 2003**

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$430,564	\$	\$430,564
Fines	<u> </u>	<u>19,514</u>	<u>19,514</u>
Total Operating Cash Receipts	<u>430,564</u>	<u>19,514</u>	<u>\$450,078</u>
Operating Cash Disbursements:			
Personal Services	129,388		129,388
Contractual Services	107,663		107,663
Supplies and Materials	28,224		28,224
Capital Outlay	29,506		29,506
Miscellaneous	<u>288</u>	<u>19,514</u>	<u>19,802</u>
Total Operating Cash Disbursements	<u>259,069</u>	<u>19,514</u>	<u>314,583</u>
Operating Income/(Loss)	<u>135,495</u>	<u> </u>	<u>135,495</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	<u>8,876</u>	<u> </u>	<u>8,876</u>
Total Non-Operating Cash Receipts:	<u>8,876</u>	<u> </u>	<u>8,876</u>
Non-Operating Cash Disbursements:			
Debt Service	142,109		142,109
Other Non-Operating Expenses	<u>208</u>	<u> </u>	<u>208</u>
Total Non-Operating Cash Disbursements:	<u>142,317</u>	<u> </u>	<u>142,317</u>
Excess of Non-Operating Receipts Over/(Under) Non-Operating Disbursements	<133,441>		<133,441>
Net Receipts Over/(Under) Disbursements	2,054		2,054
Fund Cash Balances, 01/01/03	<u>410,578</u>	<u> </u>	<u>410,578</u>
Fund Cash Balances, 12/31/03	<u>\$412,632</u>	<u>\$ </u>	<u>\$412,632</u>
Reserves for Encumbrances, 12/31/03	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

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, 2004 AND 2003**

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 government 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:

1. 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.

2. 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 has the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline taxes and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF SHREVE
WAYNE COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

2. Special Revenue Funds (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, 2004 AND 2003
(Continued)

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

Budgetary Process

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

1. Appropriations

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

2. 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.

3. Encumbrances

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

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

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.

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>2004</u>	<u>2003</u>
Demand Deposits	\$ 82,074	\$ 69,278
Certificates of Deposit	<u>678,961</u>	<u>649,040</u>
Total deposits	<u>\$761,035</u>	<u>\$718,318</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, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

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

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 389,184	\$ 388,244	\$ <940>
Special Revenue	84,591	64,549	<20,042>
Enterprise	450,900	432,693	<18,207>
Fiduciary	<u>240,000</u>	<u>252,285</u>	<u>12,285</u>
Total	<u>\$1,164,675</u>	<u>\$1,137,771</u>	<u>\$<26,904></u>

Fund Type	2004 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 389,754	\$ 388,664	\$ 1,090
Special Revenue	91,278	89,186	2,092
Capital Projects	13,670	13,670	
Enterprise	500,649	448,209	52,440
Fiduciary	<u>281,606</u>	<u>155,325</u>	<u>126,281</u>
Total	<u>\$1,276,957</u>	<u>\$1,095,054</u>	<u>\$181,903</u>

**VILLAGE OF SHREVE
WAYNE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Fund Type	2003 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 434,422	\$ 419,537	\$<14,885>
Special Revenue	95,266	93,421	< 1,845>
Enterprise	462,800	439,440	<23,360>
Fiduciary	<u>230,000</u>	<u>254,817</u>	<u>24,817</u>
Total	<u>\$1,222,488</u>	<u>\$1,207,215</u>	<u>\$<15,273></u>

Fund Type	2003 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 492,538	\$ 398,956	\$ 93,582
Special Revenue	111,056	85,738	25,318
Capital Projects	75,000		75,000
Enterprise	595,528	437,386	158,142
Fiduciary	<u>366,625</u>	<u>305,055</u>	<u>61,570</u>
Total	<u>\$1,640,747</u>	<u>\$1,227,135</u>	<u>\$413,612</u>

**VILLAGE OF SHREVE
WAYNE COUNTY**

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

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 semi-annual 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.

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, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$131,717	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 December 31:</u>	<u>OWDA Loans</u>
2005	\$142,109

**VILLAGE OF SHREVE
WAYNE COUNTY**

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

7. RETIREMENT SYSTEM

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 postretirement 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 2004 and 2003, 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 2004 and 2003. The Village has paid all contributions required through December 31, 2004.

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 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.

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KNOX & KNOX

Accountants and Consultants

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
P.O. Box 604
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, 2004 and 2003, and have issued our report thereon dated November 25, 2005. 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 would 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 2004-001.

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 November 25, 2005.

Village of Shreve
Wayne County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*

Page Two

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

KNOX & KNOX

Orrville, Ohio
November 25, 2005

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 21, 2004 AND 2003

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

FINDING NUMBER 2004-001

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 2003, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$458,724	\$492,538	\$<33,814>
Capital Projects	59,670	75,000	<15,330>

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



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**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
DECEMBER 27, 2005**