

VILLAGE OF SHILOH

RICHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2007 and 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Shiloh
13 West Main Street
Shiloh, Ohio 44878

We have reviewed the *Report of Independent Accountants* of the Village of Shiloh, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Shiloh is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 6, 2008

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VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Audit Report
For the years ended December 31, 2007 and 2006

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2006	4
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Proprietary Fund Types and Similar Fiduciary Funds For the Year Ended December 31, 2007	5
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Proprietary Fund Types and Similar Fiduciary Funds For the Year Ended December 31, 2006	6
Notes to the Financial Statements	7-14
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	15-16
Schedule of Findings	17-18
Status of Prior Years' Citations and Recommendations	19

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Shiloh
Richland County
13 West Main Street
Shiloh, Ohio 44878

To the Village Council:

We have audited the accompanying financial statements of the Village of Shiloh, Richland County, Ohio as and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared 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 years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. 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 State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its 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 matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Shiloh, Richland County as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2008, 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, 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 results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
April 3, 2008

**VILLAGE OF SHILOH
 RICHLAND COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$ 18,160	\$ 11,511	-	\$ 29,671
Intergovernmental Revenue	37,302	49,530	\$ 159,318	246,150
Fines, Licenses and Permits	8,469	910	-	9,379
Earnings on Investments	595	2,604	-	3,199
Miscellaneous	3,952	-	-	3,952
Donations	-	770	-	770
Total Cash Receipts	<u>68,478</u>	<u>65,325</u>	<u>159,318</u>	<u>293,121</u>
Cash Disbursements:				
Security of Persons and Property	15,000	11,442	-	26,442
Public Health Services	530	-	-	530
Leisure Time Activities	796	-	-	796
Community Environment	1,432	-	-	1,432
Basic Utility Services	6,803	-	-	6,803
Transportation	56,588	40,692	-	97,280
General Government	38,369	-	-	38,369
Capital Outlay	9,509	9,508	1,099,448	1,118,465
Debt Service				
Principal	4,500	-	-	4,500
Interest	1,004	-	-	1,004
Total Cash Disbursements	<u>134,531</u>	<u>61,642</u>	<u>1,099,448</u>	<u>1,295,621</u>
Total Receipts Over(Under) Disbursements	(66,053)	3,683	(940,130)	(1,002,500)
Other Financing Sources/Uses				
Sale of Notes	9,509	9,508	940,130	959,147
Other Financing Sources	21,443	-	-	21,443
Total Other Financing Sources/Uses	<u>30,952</u>	<u>9,508</u>	<u>940,130</u>	<u>980,590</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(35,101)	13,191	-	(21,910)
Fund Balance January 1, 2007	<u>71,257</u>	<u>36,192</u>	<u>-</u>	<u>107,449</u>
Fund Balance December 31 2007	<u>\$ 36,156</u>	<u>\$ 49,383</u>	<u>\$ -</u>	<u>\$ 85,539</u>
Reserve for Encumbrances, December 31, 2007	<u>\$ 3,677</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 3,811</u>

See accompanying Notes to the Financial Statements.

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$ 18,743	\$ 10,711	\$ 29,454
Intergovernmental Revenue	39,385	52,297	91,682
Fines, Licenses and Permits	4,064	70	4,134
Earnings on Investments	2,649	2,387	5,036
Refund	13,264	-	13,264
Donations	-	120	120
Total Cash Receipts	<u>78,105</u>	<u>65,585</u>	<u>143,690</u>
Cash Disbursements:			
Security of Persons and Property	12,500	14,857	27,357
Public Health Services	783	-	783
Leisure Time Activities	5,700	-	5,700
Community Environment	1,438	-	1,438
Basic Utility Services	2,486	-	2,486
Transportation	53,003	56,646	109,649
General Government	47,905	-	47,905
Capital Outlay	2,500	-	2,500
Debt Service:			
Principal	1,058	-	1,058
Total Cash Disbursements	<u>127,373</u>	<u>71,503</u>	<u>198,876</u>
Total Receipts Over(Under) Disbursements	(49,268)	(5,918)	(55,186)
Other Financing Sources/Uses			
Transfers-In	6,086	1,990	8,076
Transfers-Out	-	(28,069)	(28,069)
Other Financing Sources	24,044	-	24,044
Total Other Financing Sources/Uses	<u>30,130</u>	<u>(26,079)</u>	<u>4,051</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(19,138)	(31,997)	(51,135)
Restated Fund Balance January 1, 2006, See Note 9	<u>90,395</u>	<u>68,189</u>	<u>158,584</u>
Fund Balance December 31, 2006	<u>\$ 71,257</u>	<u>\$ 36,192</u>	<u>\$ 107,449</u>
Reserve for Encumbrances, December 31, 2006	<u>\$ 7,419</u>	<u>\$ 420</u>	<u>\$ 7,839</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 For the Year Ended December 31, 2007

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Total (Memorandum Only)</u>
Operating Receipts:			
Charges for Services	\$ 788,163	-	\$ 788,163
Total Operating Receipts	788,163	-	788,163
Operating Disbursements:			
Personal Services	88,093	-	88,093
Travel Transportation	63	-	63
Contractual Services	551,810	-	551,810
Supplies and Materials	94,423	-	94,423
Capital Outlay	452,161	-	452,161
Total Operating Disbursements	1,186,550	-	1,186,550
Excess Operating Receipts Over/(Under) Operating Disbursements	(398,387)	-	(398,387)
Non-Operating Receipts/(Disbursements):			
Fines and Fees	-	\$ 11,653	11,653
Sale of Notes	417,762	-	417,762
Other Financing Sources	24,457	-	24,457
Other Financing Uses	(600)	-	(600)
Distribution of Fines and Fees	-	(11,653)	(11,653)
Debt Service:			
Principal	(47,760)	-	(47,760)
Interest	(43,435)	-	(43,435)
Total Non-Operating Receipts/(Disbursements)	350,424	-	350,424
Excess Receipts Over/(Under) Disbursements Before Transfers	(47,963)	-	(47,963)
Transfers-In	29,218	-	29,218
Transfers-Out	(29,218)	-	(29,218)
Net Receipts Over/(Under) Disbursements	(47,963)	-	(47,963)
Fund Balance January 1, 2007	479,201	898	480,099
Fund Balance December 31, 2007	\$ 431,238	\$ 898	\$ 432,136
Reserve for Encumbrances, December 31, 2007	\$ 98,678	\$ -	\$ 98,678

See accompanying Notes to the Financial Statements.

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 For the Year Ended December 31, 2006

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Total (Memorandum Only) <u>Only</u>
Operating Receipts:			
Charges for Services	\$ 724,466	-	\$ 724,466
Miscellaneous	9,801	-	9,801
Total Operating Receipts	734,267	-	734,267
Operating Disbursements:			
Personal Services	85,178	-	85,178
Contractual Services	550,715	-	550,715
Supplies and Materials	66,764	-	66,764
Capital Outlay	160,790	-	160,790
Total Operating Disbursements	863,447	-	863,447
Excess Operating Receipts Over/(Under) Operating Disbursements	(129,180)	-	(129,180)
Non-Operating Receipts/(Disbursements):			
Other Financing Sources	1,390	-	1,390
Sale of Notes	81,095	-	81,095
Fines and Fees	-	\$ 4,223	4,223
Other Financing Uses	(480)	-	(480)
Distribution of Fines and Fees	-	(4,223)	(4,223)
Debt Service:			
Principal	(4,300)	-	(4,300)
Interest	(10,140)	-	(10,140)
Total Non-Operating Receipts (Disbursements)	67,565	-	67,565
Excess Receipts Over/(Under) Disbursements Before Transfers	(61,615)	-	(61,615)
Transfers-In	34,433	-	34,433
Transfers-Out	(14,440)	-	(14,440)
Net Receipts Over/(Under) Disbursements	(41,622)	-	(41,622)
Restated Fund Balance January 1, 2006, See Note 9	520,823	898	521,721
Fund Balance December 31, 2006	\$ 479,201	\$ 898	\$ 480,099
Reserve for Encumbrances, December 31, 2006	\$ 131,947	\$ -	\$ 131,947

See accompanying Notes to the Financial Statements.

VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2007 and 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Shiloh, Richland County, (the Village) is a body corporate and politic established for the purpose of exercising 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, sewer and electrical utilities. The Village contracts with the Richland County Sheriff's Department to provide police services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. **BASIS OF ACCOUNTING**

The Village prepares its financial statements following 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.)

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

C. **INVESTMENTS AND INACTIVE FUNDS**

The Village maintains cash in an interest-bearing checking account.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of the sale are recorded as receipts or disbursements, respectively.

D. **FUND ACCOUNTING**

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Governmental Fund Types – (continued)

Special Revenue Funds: To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds:

- ***Street Construction, Maintenance and Repair Fund:*** This fund receives gasoline tax money and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- ***Permissive Sales Tax Fund:*** This fund is used to account for sales tax revenues received and used to pay for road projects.
- ***Police Fund:*** This fund receives real estate and personal property tax money to pay for the police protection services provided by the Richland County Sheriff's Office.

Capital Projects Fund: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following capital project fund:

- ***Issue II Fund:*** This fund was created to account for Ohio Public Works Commission funds used to construct the new water treatment.

Proprietary Fund Type:

Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that 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 the utility.
- ***Sewer Fund-*** This fund receives charges for services from residents to cover the cost of providing the utility.
- ***Electric Fund-*** This fund receives charges for services from residents to cover the cost of providing the utility.

VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Fiduciary Fund Types:

Agency Fund

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency fund:

Mayor's Court Fund- This fund receives fines, bonds and costs assessed by the Court and disburses these amounts to the State, Village or the payee.

E. BUDGETARY PROCESS

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function 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. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 carried over and need not be re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For The Years Ended December 31, 2007 and 2006

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>2007</u>	<u>2006</u>
Demand Deposits	\$ 139,694	\$ 212,163
STAR-Ohio	52,881	50,285
Cash on Hand	100	100
Certificates of Deposit	325,000	325,000
Total	<u>\$ 517,675</u>	<u>\$ 587,548</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 is as follows:

<u>2007 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 90,000	\$ 99,430	\$ 9,430
Special Revenue	58,500	74,833	16,333
Capital Projects	1,165,000	1,099,448	(65,552)
Enterprise	1,476,764	1,259,600	(217,164)
Total	<u>\$ 2,790,264</u>	<u>\$ 2,533,311</u>	<u>\$(256,953)</u>

<u>2007 Budgeted vs. Actual Budgetary Basis Disbursements</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 160,787	\$ 138,208	\$ 22,579
Special Revenue	93,980	61,776	32,204
Capital Projects	1,165,000	1,099,448	65,552
Enterprise	1,891,497	1,406,241	485,256
Total	<u>\$ 3,311,264</u>	<u>\$ 2,705,673</u>	<u>\$ 605,591</u>

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For The Years Ended December 31, 2007 and 2006

3. BUDGETARY ACTIVITY – (continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 80,000	\$ 108,235	\$ 28,235
Special Revenue	62,780	67,575	4,795
Enterprise	1,399,000	851,185	(547,815)
Total	\$ 1,541,780	\$ 1,026,995	\$ (514,785)

2006 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 169,899	\$ 134,792	\$ 35,107
Special Revenue	130,445	99,992	30,453
Enterprise	1,298,505	1,024,754	273,751
Total	\$ 1,598,849	\$ 1,259,538	\$ 339,311

4. PROPERTY TAXES

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 on the property owners, who must file a list of such property to the County by each April 30.

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

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For The Years Ended December 31, 2007 and 2006

5. RETIREMENT SYSTEM

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. This plan provides 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 2006, OPERS members contributed 9% of their wages. The Village contributed an amount equal to 13.70% of participants gross salaries. For 2007, OPERS members contributed 9.5% of their wages. The Village contributed an amount equal to 13.85% of participants gross salaries The Village has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan, an unincorporated non-profit association over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage and reinsures these coverage's 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

7. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan	\$ 194,000	5.00%
OPWC Loan-CP31D	5,292	0.00%
OWDA	631,986	2.00%
Citizens Bank	38,986	5.30%
AMP-Ohio	440,331	4.10%
OPWC Loan-CP04J	300,000	0.00%
Total	\$ 1,610,595	

The USDA (United States Department of Agriculture) loan relates to a sewer project. The USDA has approved \$245,000 in loans to the Village for this project. The loan includes interest, will be paid in variable annual installments over 40 years. The loan is collateralized by water and sewer receipts.

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For The Years Ended December 31, 2007 and 2006

7. DEBT (continued)

The OPWC (Ohio Public Works Commission) loan (CP31D) relates to a Village resurfacing project. The loan was issued in 2001 in the amount of \$12,700. The loan will be repaid in semi-annual payments of \$529 over 12 years. There is no interest on this loan.

The Ohio Water Development Authority (OWDA) loan relates to the construction of the new water treatment facility. OWDA approved \$665,059 for the loan to be paid over 25 years. All funds have not been distributed as of December 31, 2007. An amortization schedule is not available.

The Citizens Bank loan was for the purchase of a back hoe. The loan is for five year with an annual principal payment of \$11,066. The loan will be repaid out of the General fund, Street Construction, Maintenance and Repair Fund, the Water Fund, the Sewer Fund and the Electric Fund.

The AMP-Ohio loan was for upgrades to the Village's electrical system. The one-year bond anticipation notes (BAN) was approved for \$590,000. Only \$470,331 have been expended as of December 31, 2007. The Village intends on renewing the BAN in August 2008. The Village will pay a portion of the principal and renew the BAN at an unknown amount.

The OPWC (Ohio Public Works Commission) loan (CP04J) relates construction at the sewer plant. The loan was issued in 2007 in the amount of \$300,000. The loan will be repaid in semi-annual payments of \$7,500 over 20 years. There is no interest on this loan. The amortization schedule has not been finalized.

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

Year ending December 31:	<u>USDA Loan</u>	<u>OPWC Loan</u>	<u>Citizens Bank</u>
2008	\$ 14,400	\$ 1,058	\$ 11,066
2009	14,365	1,058	11,066
2010	14,420	1,058	11,066
2011	14,360	1,059	11,066
2012	14,390	1,059	-
2013-2017	71,975	-	-
2018-2022	71,850	-	-
2023-2027	71,820	-	-
2028-2030	43,185	-	-
Total	\$ 330,765	\$ 5,292	\$ 44,264

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For The Years Ended December 31, 2007 and 2006

8. TRANSFERS

The Village received a grant from FEMA in 2006 to reimburse the Village for cleanup costs related to an ice storm. The Village receipted the funds into the FEMA fund. The FEMA fund then transferred funds to the General Fund, Street Construction Maintenance and Repair Fund, Water Fund, Sewer Fund and Electric Fund to reimburse those funds for costs paid for prior to receiving the FEMA grant. Also, the Village transferred monies from the Utility Surplus Fund to the Water and Sewer funds to subsidize operations.

In 2007, the Utility Surplus Fund transferred \$29,218 to the Water Fund (\$14,793) and the Sewer Fund (\$14,425) to subsidize operations.

All transfers were made in accordance with Ohio Revised Code and applicable grant agreements.

9. RESTATEMENT OF BEGINNING BALANCES

	<u>Special Revenue Funds</u>	<u>Expendable Trust</u>	<u>Agency Fund</u>
Fund Balance at December 31, 2005	\$67,949	\$1,138	\$ 0
Restatement	<u>\$ 240</u>	<u>(\$1,138)</u>	<u>\$898</u>
Restated Balance at January 1, 2006	<u>\$68,189</u>	<u>\$ 0</u>	<u>\$898</u>

The Village's trust funds were reclassified as special revenue funds and agency funds in accordance with Audit Bulletin 2005-005.

10. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

11. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.36(A)(4), in both years the Village had several funds' actual receipts lower than estimated receipts, where the deficiency reduced the estimated resources below the level of appropriations in those funds.

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Shiloh
Richland County
13 West Main Street
Shiloh, OH 44878

To the Village Council:

We have audited the financial statements of the Village of Shiloh, Richland County, Ohio (Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 3, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2007-VSRC-01, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiency that are also considered to be a material weakness. However, we believe the significant deficiency described above to be material weakness.

Compliance and Other Matters

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, grant agreements and other matters, 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 or other matter that is required to be reported under *Government Auditing Standards* as item 2007-VSRC-02.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We also noted certain matters that we have reported to management of the Village in a separate letter dated April 3, 2008.

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

Charles E. Harris and Associates, Inc.

April 3, 2008

VILLAGE OF SHILOH
RICHLAND COUNTY

SCHEDULE OF FINDINGS
December 31, 2007 and 2006

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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Finding Number 2007-VSRC-01 – Material Weakness

The Village obtained four loans during the audit period. The Village did not properly record two loans in their books. One loan was for the improvements to the Village's electrical system. The other loan was for the purchase of a back hoe used by the utility and street departments.

AMP-Ohio performed construction for an upgrade of the municipal electrical system. In return, the Village acquired a Bond Anticipation Note from AMP-Ohio for the cost they incurred. AMP-Ohio incurred \$81,095 and \$389,236 for the upgrades in 2006 and 2007, respectively. The Village recorded \$261,633 in their financial statements in 2007. The Village should have recorded the \$81,095 in 2006 and the \$389,236 in 2007 as proceeds of notes and the corresponding capital outlay disbursement.

The Village obtained a loan from Citizens Bank in 2007 for the purchase of a back hoe. However, the Village did not record the sale of notes and the corresponding capital outlay disbursement on their books. The Village should have recorded the sale of the note and corresponding capital outlay.

Also, the Village did not separate principal and interest payments for their loans in their financial statements. For most of their loans, the entire amounts were recorded under redemption of principal. We recommend the Village separate principal and interest payments in their financial records.

The audited financial statements have been adjusted to reflect all loan activity.

Further, the Village did not reclassify their Expendable Trust Fund and Guaranteed Deposit Trust Fund as required by Technical Bulletin 2005-005. The Expendable Trust Fund has been reclassified as a Special Revenue Fund for the financial statements. The Guaranteed Deposit Trust Fund was previously classified as an expendable trust fund. The fund has been properly reclassified as an agency fund in the financial statements.

The Village agrees with the debt activity adjustments. Also, the Village has reclassified the trust funds properly. Management will monitor activity in the future to avoid these deficiencies in the future.

VILLAGE OF SHILOH
RICHLAND COUNTY

SCHEDULE OF FINDINGS (continued)
December 31, 2007 and 2006

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

Finding Number 2007-VSRC-02 – Non-compliance Citation

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations.

<u>2007 Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise Fund-Electric	\$1,417,551	\$897,610	\$519,941
Capital Projects-Issue II	1,165,000	1,099,448	65,552
<u>2006 Fund</u>			
Enterprise Fund-Electric	1,170,000	615,364	554,636

The Village will monitor estimated resources in comparison with actual revenue.

**VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
DECEMBER 31, 2007 AND 2006**

STATUS OF PRIOR YEARS' CITATIONS AND RECOMMENDATIONS

The prior audit, for the years ended December 31, 2005 and 2004, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHILOH

RICHLAND 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
MAY 20, 2008**