

**VILLAGE OF SHREVE  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Shreve  
P.O. Box 604  
Shreve, Ohio 44676

We have reviewed the *Independent Accountants' Report* of the Village of Shreve, Wayne County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 9, 2008

This page is intentionally left blank.

VILLAGE OF SHREVE  
WAYNE COUNTY

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Accountants' Report. . . . .	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006. . . . .	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2006. . . . .	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005. . . . .	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005. . . . .	6
Notes to the Financial Statements. . . . .	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> . . . . .	14
Schedule of Findings. . . . .	16
Schedule of Prior Audit Findings. . . . .	17

This page is intentionally left blank.

# 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 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, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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, if any, 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 its 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

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

The 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 June 18, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that reports 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 considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
June 18, 2007



VILLAGE OF SHREVE  
WAYNE 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	Capital Projects	
<b>CASH RECEIPTS:</b>				
Local Taxes	\$48,988			\$48,988
Municipal Income Tax		\$235,467		\$235,467
Intergovernmental	57,868	78,817		136,685
Charges for Services	71,213			71,213
Fines, Licenses, and Permits	5,341			5,341
Miscellaneous	35,989	1,919		37,908
Total Cash Receipts	219,399	316,203		535,602
<b>CASH DISBURSEMENTS:</b>				
Current:				
Security of Persons and Property	272,487	23,565		296,052
Public Health Services	4,656			4,656
Transportation	3,799	80,342		84,141
General Government	99,060	28,438		127,498
Capital Outlay	6,184	1,389	\$62,358	69,931
Total Cash Disbursements	386,186	133,734	62,358	582,278
Total Cash Receipts Over/(Under) Cash Disbursements	(166,787)	182,469	(62,358)	(46,676)
<b>OTHER FINANCING RECEIPTS/(DISBURSEMENTS):</b>				
Transfers-In	100,000		25,000	125,000
Transfers-Out		(125,000)		(125,000)
Other Uses	(4,310)	(937)		(5,247)
Total Other Financing Receipts/ (Disbursements)	95,690	(125,937)	25,000	(5,247)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(71,097)	56,532	(37,358)	(51,923)
Fund Cash Balances, January 1	84,586	272,016	42,479	399,081
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$13,489</b>	<b>\$328,548</b>	<b>\$5,121</b>	<b>\$347,158</b>

*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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for Services	\$385,374		\$385,374
Fines		\$15,260	15,260
<b>Total Operating Cash Receipts</b>	<b>385,374</b>	<b>15,260</b>	<b>400,634</b>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal Services	151,588		151,588
Contractual Services	126,839		126,839
Supplies and Materials	31,265		31,265
Miscellaneous		15,260	15,260
<b>Total Operating Cash Disbursements</b>	<b>309,692</b>	<b>15,260</b>	<b>324,952</b>
Operating Income/(Loss)	75,682		75,682
<b>NON-OPERATING CASH RECEIPTS:</b>			
Other Non-Operating Cash Receipts	10,612		10,612
<b>Total Non-Operating Cash Receipts</b>	<b>10,612</b>		<b>10,612</b>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Debt Service	34,152		34,152
<b>Total Non-Operating Cash Disbursements</b>	<b>34,152</b>		<b>34,152</b>
Excess of Non-Operating Receipts Over/ (Under) Non-Operating Disbursements	(23,540)		(23,540)
Net Receipts over/(Under) Disbursements	52,142		52,142
Fund Cash Balances, January 1	436,737		436,737
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$488,879</b>		<b>\$488,879</b>

*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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>CASH RECEIPTS:</b>					
Local Taxes	\$48,947			\$226,642	\$275,589
Intergovernmental Receipts	62,057	111,546			173,603
Charges for Services	47,505				47,505
Fines, Licenses, and Permits	14,708	75			14,783
Miscellaneous	44,165	91			44,256
<b>Total Cash Receipts</b>	<u>217,382</u>	<u>111,712</u>		<u>226,642</u>	<u>555,736</u>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons and Property	278,752	5,967			284,719
Public Health Services	5,189				5,189
Leisure Time Activities	63				63
Transportation	110	88,332			88,442
General Government	95,019			28,829	123,848
Capital Outlay	1,064	14,234	\$3,521	584	19,403
<b>Total Cash Disbursements</b>	<u>380,197</u>	<u>108,533</u>	<u>3,521</u>	<u>29,413</u>	<u>521,664</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(162,815)</u>	<u>3,179</u>	<u>(3,521)</u>	<u>197,229</u>	<u>34,072</u>
<b>OTHER FINANCING RECEIPTS/DISBURSEMENTS</b>					
Transfers-In	200,000	29,600			229,600
Transfers-Out				(229,600)	(229,600)
Other Sources (Uses)	2,938			(1,848)	1,090
<b>Total Other Financing Receipts/ (Disbursements)</b>	<u>202,938</u>	<u>29,600</u>		<u>(231,448)</u>	<u>1,090</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	40,123	32,779	(3,521)	(34,219)	35,162
<b>Fund Cash Balances, January 1</b>	<u>44,463</u>	<u>14,165</u>	<u>46,000</u>	<u>259,291</u>	<u>363,919</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$84,586</u></u>	<u><u>\$46,944</u></u>	<u><u>42,479</u></u>	<u><u>\$225,072</u></u>	<u><u>\$399,081</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for Services	\$412,232		\$412,232
Fines		\$19,856	19,856
 Total Operating Cash Receipts	 <u>412,232</u>	 <u>19,856</u>	 <u>432,088</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal Services	138,281		138,281
Contractual Services	108,832		108,832
Supplies and Materials	33,787		33,787
Miscellaneous		19,856	19,856
 Total Operating Cash Disbursements	 <u>280,900</u>	 <u>19,856</u>	 <u>300,756</u>
Operating Income/(Loss)	<u>131,332</u>		<u>131,332</u>
<b>NON-OPERATING CASH RECEIPTS:</b>			
Other Non-Operating Cash Receipts	12,768		12,768
 Total Non-Operating Cash Receipts	 <u>12,768</u>		 <u>12,768</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Debt Service	104,479		104,479
 Total Non-Operating Cash Disbursements	 <u>104,479</u>		 <u>104,479</u>
Excess of Non-Operating Receipts Over/(Under) Non-Operating Disbursements	<u>(91,711)</u>		<u>(91,711)</u>
Net Receipts over/(Under) Disbursements	39,621		39,621
Fund Cash Balances, January 1	<u>397,116</u>		<u>397,116</u>
 <b>FUND CASH BALANCES, DECEMBER 31</b>	 <u><u>\$436,737</u></u>		 <u><u>\$436,737</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  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

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:

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 had the following significant Special Revenue Funds:

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

*State Highway Fund* - This fund receives tax monies to maintain and repair state highways in the Village.

VILLAGE OF SHREVE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

3. Capital Projects Fund

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 project fund:

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

4. 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.

5. 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 (reclassified as a Special Revenue Fund in 2006).

*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  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 department, function or object level of, 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.

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 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$176,037	\$192,792
Certificates of deposit	<u>660,000</u>	<u>643,026</u>
Total deposits	<u><u>\$836,037</u></u>	<u><u>\$835,818</u></u>

VILLAGE OF SHREVE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$423,382	\$319,399	(\$103,983)
Special Revenue	346,800	316,203	(30,597)
Enterprise	351,000	395,986	44,986
Capital Projects	25,000	25,000	
Total	<u>\$1,146,182</u>	<u>\$1,056,588</u>	<u>(\$89,594)</u>

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$507,968	\$390,496	\$117,472
Special Revenue	609,717	259,671	350,046
Enterprise	62,358	62,358	
Capital Projects	774,969	343,844	431,125
Total	<u>\$1,955,012</u>	<u>\$1,056,369</u>	<u>\$898,643</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$444,458	\$420,320	(\$24,138)
Special Revenue	73,092	141,312	68,220
Enterprise	432,429	425,000	(7,429)
Fiduciary	235,000	226,642	(8,358)
Total	<u>\$1,184,979</u>	<u>\$1,213,274</u>	<u>\$28,295</u>

2005 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$413,512	\$380,197	\$33,315
Special Revenue	105,200	108,533	(3,333)
Capital Projects		3,521	(3,521)
Enterprise	603,168	385,379	217,789
Fiduciary	291,100	260,861	30,239
Total	<u>\$1,412,980</u>	<u>\$1,138,491</u>	<u>\$274,489</u>



VILLAGE OF SHREVE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY (continued)

Contrary to Ohio law, expenditures exceeded appropriations in the Special Revenue and Capital Project Fund Types in 2005.

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 for 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 owner, 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

There was no debt outstanding at December 31, 2006 and 2005

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Policy & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides 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 2006 and 2005, members of PFDPF contributed 10% of their wages to PFDPF. The Village contributed an amount equal to 19.5 percent of their wages. For 2006 and 2005, PERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

VILLAGE OF SHREVE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

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; and
- 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.

This page is intentionally left blank.

# KNOX & KNOX

---

Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Shreve  
Wayne County  
150 West McConkey Street  
P.O. Box 604  
Shreve, Ohio 44676

To the 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, 2006 and 2005, and have issued our report thereon dated June 18, 2007, wherein we noted the Village followed 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we did note other matters that we communicated to the Village's management in a separate letter dated June 18, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* and is shown in the accompanying schedule as Finding 2006-001.

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

*KNOX & KNOX*

Orrville, Ohio  
June 18, 2007

VILLAGE OF SHREVE  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Ohio Revised Code Section 5705.41(B) requires that total expenditures from each fund not exceed total appropriations from each fund.

During 2005, appropriations exceeded total expenditures as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Special Revenue*	\$105,200	\$108,533	(\$3,333)
Capital Projects		3,521	(3,521)

To avoid overspending, the Village should not expend in excess of appropriations.

Client response: Management will monitor expenditures to avoid overspending.

*	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Street	\$85,700	\$82,979	2,721
State Highway	5,100	3,837	1,263
Permissive Vehicle	14,400	13,650	750
FEMA		2,100	(2,100)
Rescue Squad		5,967	(5,967)
	<u>\$105,200</u>	<u>\$108,533</u>	<u>(3,333)</u>

VILLAGE OF SHREVE  
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Finding Summary	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ohio Revised Code § 5705.39, requires appropriations not to exceed estimated resources.	Yes	Finding is no long valid.







**Mary Taylor, CPA**  
Auditor of State

**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  
JANUARY 22, 2008**