



Dave Yost • Auditor of State

VILLAGE OF SHREVE
WAYNE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements and related notes of the Village of Shreve, Wayne County, Ohio (the Village), as of December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Village's bank reconciliation after adjustments had unsupported bank over book reconciling variances of \$4,173 and \$4,869 as of December 31, 2012 and 2011, respectively. We were unable to satisfy ourselves by other auditing procedures the adjustments necessary in respect to the elements making up the Combined Statements of Receipts, Disbursements, and Changes in Fund Balances as of December 31, 2012 and 2011.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. We did not modify our opinion regarding this matter.

As discussed in Note 2 to the financial statements, the 2010 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 14, 2014

**VILLAGE OF SHREVE
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 22,380	\$ -	\$ -	\$ 22,380
Municipal Income Tax	243,240			243,240
Intergovernmental	74,630	66,036		140,666
Special Assessments	8,929			8,929
Charges for Services	42,685			42,685
Fines, Licenses and Permits	13,574	100		13,674
Earnings on Investments		201		201
Miscellaneous	12,945	250		13,195
<i>Total Cash Receipts</i>	<u>418,383</u>	<u>66,587</u>	<u>-</u>	<u>484,970</u>
Cash Disbursements				
Current:				
Security of Persons and Property	268,118			268,118
Transportation	1,245	63,805		65,050
General Government	116,723			116,723
Capital Outlay	828	9,976		10,804
Debt Service:				
Principal Retirement	6,246			6,246
Interest and Fiscal Charges	835			835
<i>Total Cash Disbursements</i>	<u>393,995</u>	<u>73,781</u>	<u>-</u>	<u>467,776</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>24,388</u>	<u>(7,194)</u>	<u>-</u>	<u>17,194</u>
Other Financing Receipts (Disbursements)				
Transfers In		5,500		5,500
Transfers Out	(5,500)			(5,500)
Other Financing Uses	(16,486)			(16,486)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(21,986)</u>	<u>5,500</u>	<u>-</u>	<u>(16,486)</u>
<i>Net Change in Fund Cash Balances</i>	2,402	(1,694)	-	708
<i>Fund Cash Balances, January 1</i>	<u>64,062</u>	<u>69,368</u>	<u>1</u>	<u>133,431</u>
Fund Cash Balances, December 31				
Restricted		67,674		67,674
Assigned	66,464			66,464
Unassigned			1	1
<i>Fund Cash Balances, December 31</i>	<u>\$ 66,464</u>	<u>\$ 67,674</u>	<u>\$ 1</u>	<u>\$ 134,139</u>

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

**VILLAGE OF SHREVE
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 496,386	\$ -	\$ 496,386
Fines, Licenses and Permits		14,166	14,166
Miscellaneous		3,700	3,700
<i>Total Operating Cash Receipts</i>	<u>496,386</u>	<u>17,866</u>	<u>514,252</u>
Operating Cash Disbursements			
Personal Services	153,431		153,431
Contractual Services	188,691		188,691
Supplies and Materials	19,846		19,846
Transportation	200		200
Miscellaneous		6,918	6,918
Distribution of Fines		19,635	19,635
<i>Total Operating Cash Disbursements</i>	<u>362,168</u>	<u>26,553</u>	<u>388,721</u>
<i>Operating Income (Loss)</i>	<u>134,218</u>	<u>(8,687)</u>	<u>125,531</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	173,509		173,509
Earnings on Investments	2,300		2,300
Capital Outlay	(302,251)		(302,251)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(126,442)</u>	<u>-</u>	<u>(126,442)</u>
<i>Net Change in Fund Cash Balances</i>	7,776	(8,687)	(911)
<i>Fund Cash Balances, January 1</i>	<u>455,858</u>	<u>19,389</u>	<u>475,247</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 463,634</u>	<u>\$ 10,702</u>	<u>\$ 474,336</u>

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

**VILLAGE OF SHREVE
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 19,683	\$ -	\$ -	\$ 19,683
Municipal Income Tax	215,155			215,155
Intergovernmental	104,615	66,923		171,538
Special Assessments	8,513			8,513
Charges for Services	65,784			65,784
Fines, Licenses and Permits	13,063			13,063
Earnings on Investments		365		365
Miscellaneous	26,157			26,157
<i>Total Cash Receipts</i>	<u>452,970</u>	<u>67,288</u>	<u>-</u>	<u>520,258</u>
Cash Disbursements				
Current:				
Security of Persons and Property	288,218	164		288,382
Transportation	37	69,056		69,093
General Government	115,006			115,006
Capital Outlay	19,426	4,323	28,523	52,272
Debt Service:				
Principal Retirement	1,954			1,954
Interest and Fiscal Charges	406			406
<i>Total Cash Disbursements</i>	<u>425,047</u>	<u>73,543</u>	<u>28,523</u>	<u>527,113</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>27,923</u>	<u>(6,255)</u>	<u>(28,523)</u>	<u>(6,855)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds	19,426			19,426
Transfers In		35,000	7,775	42,775
Transfers Out	(42,775)			(42,775)
Other Financing Uses	(13,451)			(13,451)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(36,800)</u>	<u>35,000</u>	<u>7,775</u>	<u>5,975</u>
<i>Net Change in Fund Cash Balances</i>	<u>(8,877)</u>	<u>28,745</u>	<u>(20,748)</u>	<u>(880)</u>
<i>Fund Cash Balances, January 1 - Restated</i>	<u>72,939</u>	<u>40,623</u>	<u>20,749</u>	<u>134,311</u>
Fund Cash Balances, December 31				
Restricted		69,368		69,368
Assigned	62,636			62,636
Unassigned	1,426		1	1,427
<i>Fund Cash Balances, December 31</i>	<u>\$ 64,062</u>	<u>\$ 69,368</u>	<u>\$ 1</u>	<u>\$ 133,431</u>

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

**VILLAGE OF SHREVE
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 350,825	\$ -	\$ 350,825
Fines, Licenses and Permits		23,547	23,547
Miscellaneous	42	2,501	2,543
<i>Total Operating Cash Receipts</i>	<u>350,867</u>	<u>26,048</u>	<u>376,915</u>
Operating Cash Disbursements			
Personal Services	137,693		137,693
Contractual Services	136,089		136,089
Supplies and Materials	19,891		19,891
Distribution of Fines		22,666	22,666
<i>Total Operating Cash Disbursements</i>	<u>293,673</u>	<u>22,666</u>	<u>316,339</u>
<i>Operating Income</i>	<u>57,194</u>	<u>3,382</u>	<u>60,576</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	2,155		2,155
Capital Outlay	(14,911)		(14,911)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(12,756)</u>	<u>-</u>	<u>(12,756)</u>
<i>Net Change in Fund Cash Balances</i>	44,438	3,382	47,820
<i>Fund Cash Balances, January 1 - Restated</i>	<u>411,420</u>	<u>16,007</u>	<u>427,427</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 455,858</u>	<u>\$ 19,389</u>	<u>\$ 475,247</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, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Village

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Shreve, Wayne County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, maintenance of Village streets, and police services. Effective August 1, 2012, the Village no longer provided ambulance services for their residents. That function is now provided by the Clinton Township Fire Department.

The Village participates in the Ohio Plan Risk Management public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital projects fund:

Capital Improvement Fund – This fund is used to finance capital improvement projects of the Village.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Mayor's Court fines and forfeitures and customers' utility deposits.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Village 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.

VILLAGE OF SHREVE
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Restatement of Fund Equity

The Village restated its January 1, 2011, fund equity for the General Fund, Special Revenue Funds, and Capital Projects Fund due to various understatements and overstatements. This had the following effect on fund equity previously reported:

	Fund Balance at December 31, 2010	Restated Fund Balance at January 1, 2011
General	\$47,442	\$72,939
Special Revenue	62,157	40,623
Capital Projects	20,749	20,749
Enterprise	411,430	411,420
Agency	16,007	16,007
Total Fund Equity	\$557,785	\$561,738

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Equity in Pooled Deposits and Investments

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

	2012	2011
Demand deposits	\$322,313	\$240,961
Repurchase agreement	292,547	372,586
Total deposits and investments	\$614,860	\$613,547

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

4. Budgetary Activity

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$380,035	\$418,383	\$38,348
Special Revenue	61,237	72,087	10,850
Capital Projects	52,450	0	(52,450)
Enterprise	476,439	672,195	195,756
Total	\$970,161	\$1,162,665	\$192,504

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$448,711	\$415,981	\$32,730
Special Revenue	111,047	73,781	37,266
Capital Projects	52,451	0	52,451
Enterprise	957,448	664,419	293,029
Total	\$1,569,657	\$1,154,181	\$415,476

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$430,836	\$472,396	\$41,560
Special Revenue	80,853	102,288	21,435
Capital Projects	3,000	7,775	4,775
Enterprise	321,930	353,022	31,092
Total	\$836,619	\$935,481	\$98,862

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$503,450	\$481,273	\$22,177
Special Revenue	121,402	73,543	47,859
Capital Projects	28,524	28,523	1
Enterprise	732,243	308,584	423,659
Total	\$1,385,619	\$891,923	\$493,696

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

6. Local Income Tax

The Village levies a municipal income tax of one 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 to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ally Bank Loan	\$11,225	5%

The Ally Bank Loan relates to the purchase of a 2011 Dodge Charger. The Village will repay the loan in monthly installments of \$590, including interest, over three years.

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	Ally Bank Loan
2013	\$7,081
2014	4,721
Total	\$11,802

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012, OPERS members contributed 10% and 11.6%, for non-law enforcement and law enforcement, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 18.1%, for non-law enforcement and law enforcement, respectively, of participants' gross salaries. For 2011, OPERS members contributed 10% and 12.1%, for non-law enforcement and law enforcement, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 18.1%, for non-law enforcement and law enforcement, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

9. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011, respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, OH 44676

To the Village Council:

We were engaged to audit in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Shreve, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated February 14, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and the Village restated January 1, 2011, fund equity for the General Fund, Special Revenue Funds, and Capital Projects Fund due to various understatements and overstatements. In addition, we noted we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Internal Control Over Financial Reporting

As part of our financial statement engagement, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001, 2012-002 and 2012-004 through 2012-006 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, to the extent possible, 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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 14, 2014

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Noncompliance and Material Weakness

Mayor's Court Fine Distribution

Ohio Rev. Code Section 733.40 provides that all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor that in any manner come into the mayor's hands, or that are due the mayor or marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. In addition, **Ohio Rev. Code Section 1907.24(C)** provides all such moneys collected during a month except for an amount equal to up to one per cent of those moneys retained to cover administrative costs shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state in a manner prescribed by the treasurer of state or by the Ohio legal assistance foundation.

During 2012 and 2011, monies collected by the Mayor's Court were not always paid to the Treasurer of State by the 20th of the month. In 2012 and 2011, \$3,238 and \$12,400, respectively, of the Village's portion of Mayor's Court fees due by the first Monday of the month were never transferred to the General Fund. See Finding 2012-004. The Village's financial statements and accounting records have been adjusted to post these monies in the General Fund.

In 2012, April through September fees were distributed to the State on November 16, 2012, and in 2011, August and September fees were distributed to the State on November 14, 2011, while November and December fees were distributed on January 31, 2012.

The Village should ensure amounts due to the Village and to the Treasurer of State for court fees are paid timely and accurately.

FINDING NUMBER 2012-002

Noncompliance and Material Weakness

Ohio Public Works Commission Grants

Ohio Rev. Code Section 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2012, the Ohio Public Works Commission (OPWC) expended \$192,541 for construction of an elevated water storage tank on behalf of the Village. Under the terms of this agreement, OPWC made project payments directly to the vendor/contractor(s) on the Village's behalf. Only \$19,032 of the \$192,541 of OPWC on-behalf moneys were recognized as receipts and disbursements in the Village's accounting records, thus understating their enterprise funds' intergovernmental receipts and capital outlay disbursements by \$173,509. Adjustments of \$173,509 were made to the financial statements to recognize these receipts and disbursements.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-002 (Continued)

Noncompliance and Material Weakness (Continued)

Ohio Public Works Commission Grants (Continued)

Any payments made on behalf of the Village by another party should be recorded by the Village as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. Additionally, since this grant is deemed appropriated pursuant to Ohio Rev. Code Section 5705.42, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

FINDING NUMBER 2012-003

Noncompliance

Certification

Ohio Rev. Code Section 5705.41(D) provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

Noncompliance (Continued)

Certification (Continued)

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

71 percent of expenditures tested were not certified prior to incurring the obligation. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments received prior approval. To improve control over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2012-004

Material Weakness

Transaction Posting

Our receipt and disbursement testing revealed the Village recorded several transactions incorrectly. In addition to the adjustment noted in Finding 2012-002, mispostings identified included, but were not limited, to the following:

- In 2011, (\$25,497), \$21,534 and \$10, were the differences between the January 1, 2011 beginning balance and the December 31, 2010 audited ending balance for the General Fund, Special Revenue Funds, and Enterprise Funds, respectively. As a result, a restatement of beginning balances was required.
- In 2012, \$19,032 of Ohio Public Works Commission (OPWC) grant receipts were incorrectly posted to general fund miscellaneous receipts rather than intergovernmental revenue.
- In 2012 and 2011, \$6,246 and \$1,954, respectively, of debt principal disbursements and \$835 and \$406, respectively, of interest disbursements were incorrectly posted to the contract services disbursement line item instead of principal and interest disbursement line items.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-004 (Continued)

Material Weakness (Continued)

Transaction Posting (Continued)

- In 2012, \$28,543 and \$29,544 of water fund and sewer fund, respectively, utility flow charges were incorrectly posted as miscellaneous receipts rather than charges for services.
- In 2011, \$19,426 of General Fund loan proceeds were not recorded on the Village's books as the amount was paid directly to the vendor.
- In 2012 and 2011, \$16,484 and \$17,015, respectively, of various intergovernmental receipts, such as gas tax, state highway tax, homestead and rollback, and local government revenue, were posted to incorrect funds and/or accounts. In addition, in 2011, \$280 of EMS charges for services and income tax revenues were posted to the incorrect fund and/or account. In 2012 and 2011, \$62,636 and \$82,023, respectively, of assigned fund balance was incorrectly recorded as unassigned fund balance.
- In 2012 and 2011, General Fund fines, licenses, and permits of \$3,238 and \$12,400, respectively, were incorrectly posted to the Mayor's Court Agency Fund.

The Village's accounting records and financial statements have been adjusted accordingly.

The Village should review the Village Officer's Handbook and exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct fund and account. Additionally, the Village Council should review monthly receipt and expenditure activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

FINDING NUMBER 2012-005

Material Weakness

Mayor's Court Agency Fund

The Village did not record the total activity for the Mayor's Court on the Village's accounting records or financial statements. The Mayor's Court records were kept separate from the Village's accounting records, and each month a check was written to the Village for its portion of the fines and fees, with the exception noted in Finding 2012-001 and 2012-004, where the fines and costs were not always allocated to the various accounts in the General Fund as required. Because the records are maintained separately and the Village does not have controls in place ensure all of the Mayor's account activity is accurately reported on the Village's accounting records or financial statements, the Village's financial statements were misstated.

For 2012, receipts and disbursements were overstated by \$8,865 and \$7,475, respectively. For 2011, receipts and disbursements were understated by \$1,395 and \$15,853, respectively. The Village adjusted the agency fund's financial statements to accurately reflect the Mayor's Court activity.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-005 (Continued)

Material Weakness (Continued)

Mayor's Court Agency Fund (Continued)

The fines and costs should be originally recorded in an Agency Fund, and then only the portion of fines and costs due to the Village should be recorded as a receipt in the General Fund to clearly account for the portion of court receipts that legally belong to the Village. This amount paid into the General Fund should be allocated among the various Mayor's Court receipt accounts as required to ensure the money is used only for the intended purpose. The fines and costs due to the state should also be paid from this Agency Fund. This will allow for the entire activity of the Village to be included on the Village's accounting records, and for Council to review the activity, and will help ensure more accurate financial statements.

FINDING NUMBER 2012-006

Material Weakness

Bank Reconciliations

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance. Bank reconciliations identify the differences between the bank statement's balances and the cash and investment balances according to the Village's accounting records at a specific point in time.

The December 31, 2012 and 2011, bank reconciliations for the Village's accounting records originally showed the bank and book balances agreed. As a result of our audit procedures, errors in recording receipts and disbursements noted in Findings 2012-004 and 2012-005, as well as the following items were noted and adjusted to the Village's accounting records and financial statements:

- In 2012, the Village bank reconciliation had an adjustment of (\$2,156) posted to the bank balance portion of the reconciliation, however, there was no supporting documentation to justify this adjustment. This bank reconciliation was adjusted to remove this unsupported reconciling item.
- The Mayor's Court disbursements of fines to the State Treasurer were not consistently paid from the Mayor's Court bank account, with some of the payments made from the general checking account. In addition, the Mayor's Court bank account did not have a monthly reconciliation completed. These two issues made it difficult to determine if the Mayor's Court Agency Fund activity was accurately reconciled and reported on the Village's accounting records and financial statements. Audit adjustments were made to ensure all activity related to Mayor's Court was correctly recorded in the Mayor's Court Fund.

However, after posting the audit adjustments, unsupported differences resulted and the bank balances after considering all supported reconciling items exceeded the accounting records fund balances by \$6,385 and \$4,869, respectively. This resulted a modification to opinion on the financial statements.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2012-006 (Continued)

Material Weakness (Continued)

Bank Reconciliations (Continued)

Without complete and accurate monthly bank reconciliations, the Village's internal control is significantly weakened which could hinder management's timely detection of errors or irregularities. The Village should perform complete monthly bank reconciliations in a timely manner. Also, copies of the monthly bank reconciliations and listing of outstanding checks and other reconciling items should be provided to the Council or Finance Committee each month for review. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented. Finally, the Village should ensure all Mayor's Court receipts and disbursements are receipted and paid from the Mayor's Court bank account. This will allow the Village to be able to reconcile the Mayor's Court bank account.

Officials' Response: After reviewing the Audit, the Village wanted to inform you that we will be working towards correcting the issues at hand. We hope to administer the changes that need to take place and correct the findings as soon as possible.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Weakness/Noncompliance – Ohio Rev. Code Section 145.47 – OPERS payments were not always made timely resulting in penalties and interest being paid by the Village.	Yes	Finding no longer valid.
2010-002	Material Weakness/Noncompliance – Ohio Rev. Code Section 742.35 – OP&F payments were not always made timely resulting in penalties and interest being paid by the Village.	Yes	Finding no longer valid.
2010-003	Material Weakness/Noncompliance – Ohio Rev. Code Section 5705.09 – The Village collected court computerization fees, but posted the fees to the general fund rather than a court computerization special revenue fund.	No	Not corrected. Repeated as part of Finding 2012-005.
2010-004	Material Weakness/Noncompliance – 26 U.S.C. Section 3402 and Ohio Rev. Code Section 5747.06 – IRS payments were not always made timely resulting in penalties and interest being paid by the Village.	Yes	Finding no longer valid.
2010-005	Material Weakness – Posting Receipts and Expenditures – Several receipts and expenditures were not posted accurately.	No	Not corrected. Repeated as Finding 2012-001, 2012-004, and 2012-005.
2010-006	Significant Deficiency/Noncompliance – Ohio Rev. Code Section 733.40 – Mayor’s Court collections were not always paid to the Village and Treasurer of State by the required date.	No	Not corrected. Repeated as Finding 2012-001.

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VILLAGE OF SHREVE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 1, 2014