

**VILLAGE OF SHREVE
WAYNE COUNTY
Regular Audit
December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Shreve, Wayne County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. 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

April 27, 2010

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VILLAGE OF SHREVE
WAYNE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

April 2, 2010

Village of Shreve
Wayne County
150 West McConkey Street
PO Box 604
Shreve, OH 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, 2008 and 2007. 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 our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, the Village has prepared these financial statements using the 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages 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, 2008 and 2007 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, 2008 and 2007 or their changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Shreve, Wayne County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 2, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**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, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 53,534	\$ -	\$ -	\$ 53,534
Municipal Income Taxes	207,444	-	-	207,444
Intergovernmental	54,998	72,557	-	127,555
Special Assessments	9,163	-	-	9,163
Charges for Services	52,556	-	-	52,556
Fines, Licenses, and Permits	13,102	895	-	13,997
Interest	26,720	720	-	27,440
Miscellaneous	9,347	295	-	9,642
Total Cash Receipts	<u>426,864</u>	<u>74,467</u>	<u>-</u>	<u>501,331</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	308,906	-	-	308,906
Public Health Services	4,735	-	-	4,735
Transportation	-	105,152	-	105,152
General Government	133,069	-	-	133,069
Capital Outlay	40,716	7,918	-	48,634
Total Cash Disbursements	<u>487,426</u>	<u>113,070</u>	<u>-</u>	<u>600,496</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(60,562)</u>	<u>(38,603)</u>	<u>-</u>	<u>(99,165)</u>
Other Financing Receipts/(Disbursements):				
Transfer-In	-	50,000	-	50,000
Transfer-Out	(50,000)	-	-	(50,000)
Total Other Financing Receipts/(Disbursements)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(110,562)	11,397	-	(99,165)
Fund Cash Balances, January 1	<u>325,401</u>	<u>72,364</u>	<u>5,121</u>	<u>402,886</u>
Fund Cash Balances, December 31	<u>\$ 214,839</u>	<u>\$ 83,761</u>	<u>\$ 5,121</u>	<u>\$ 303,721</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fudiciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 368,997	\$ 3,450	\$ 372,447
Other Operating Receipts	<u>1,158</u>	<u>-</u>	<u>1,158</u>
Total Operating Cash Receipts	<u>370,155</u>	<u>3,450</u>	<u>373,605</u>
Operating Cash Disbursements:			
Personal Services	170,746	-	170,746
Contractual Services	109,470	-	109,470
Supplies and Materials	40,443	1,633	42,076
Capital Outlay	<u>70,844</u>	<u>-</u>	<u>70,844</u>
Total Operating Cash Disbursements	<u>391,503</u>	<u>1,633</u>	<u>393,136</u>
Operating Income (Loss)	<u>(21,348)</u>	<u>1,817</u>	<u>(19,531)</u>
Non-Operating Cash Receipts/(Disbursements):			
Other Non-Operating Receipts	-	18,050	18,050
Other Non-Operating Disbursements	<u>-</u>	<u>(18,037)</u>	<u>(18,037)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>-</u>	<u>13</u>	<u>13</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(21,348)	1,830	(19,518)
Fund Cash Balances, January 1	<u>504,306</u>	<u>6,824</u>	<u>511,130</u>
Fund Cash Balances, December 31	<u>\$ 482,958</u>	<u>\$ 8,654</u>	<u>\$ 491,612</u>

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

**VILLAGE OF SHREVE
WAYNE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 48,638	\$ -	\$ -	\$ 48,638
Municipal Income Taxes	226,330	-	-	226,330
Intergovernmental	59,593	118,444	-	178,037
Special Assessments	8,853	-	-	8,853
Charges for Services	45,070	-	-	45,070
Fines, Licenses, and Permits	8,093	606	-	8,699
Interest	64,932	2,179	-	67,111
Miscellaneous	1,827	423	-	2,250
	<u>463,336</u>	<u>121,652</u>	<u>-</u>	<u>584,988</u>
Total Cash Receipts				
	<u>463,336</u>	<u>121,652</u>	<u>-</u>	<u>584,988</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	303,424	-	-	303,424
Public Health Services	2,396	-	-	2,396
Transportation	988	79,181	-	80,169
General Government	124,976	-	-	124,976
Capital Outlay	-	31,064	-	31,064
	<u>431,784</u>	<u>110,245</u>	<u>-</u>	<u>542,029</u>
Total Cash Disbursements				
	<u>431,784</u>	<u>110,245</u>	<u>-</u>	<u>542,029</u>
Total Cash Receipts Over/(Under) Disbursements	<u>31,552</u>	<u>11,407</u>	<u>-</u>	<u>42,959</u>
Fund Cash Balances, January 1 (Restated-See Note 9)	<u>293,849</u>	<u>60,957</u>	<u>5,121</u>	<u>359,927</u>
Fund Cash Balances, December 31	<u><u>\$ 325,401</u></u>	<u><u>\$ 72,364</u></u>	<u><u>\$ 5,121</u></u>	<u><u>\$ 402,886</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 374,973	\$ 2,550	\$ 377,523
Other Operating Receipts	267	-	267
Total Operating Cash Receipts	<u>375,240</u>	<u>2,550</u>	<u>377,790</u>
Operating Cash Disbursements:			
Personal Services	146,701	-	146,701
Contractual Services	113,736	-	113,736
Supplies and Materials	42,727	1,297	44,024
Capital Outlay	40,376	-	40,376
Other	95	-	95
Total Operating Cash Disbursements	<u>343,635</u>	<u>1,297</u>	<u>344,932</u>
Operating Income (Loss)	<u>31,605</u>	<u>1,253</u>	<u>32,858</u>
Non-Operating Cash Receipts/(Disbursements):			
Other Non-Operating Receipts	-	14,133	14,133
Other Non-Operating Disbursements	-	(11,971)	(11,971)
Total Non-Operating Cash Receipts/(Disbursements)	<u>-</u>	<u>2,162</u>	<u>2,162</u>
Net Cash Receipts Over/(Under) Cash Disbursements	31,605	3,415	35,020
Fund Cash Balances, January 1 (Restated-See Note 9)	<u>472,701</u>	<u>3,409</u>	<u>476,110</u>
Fund Cash Balances, December 31	<u>\$ 504,306</u>	<u>\$ 6,824</u>	<u>\$ 511,130</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, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Shreve, Wayne County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

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

B. Accounting Basis

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

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

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 that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair 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, 2008 AND 2007
(Continued)**

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 projects fund:

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

4. Enterprise Funds

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 (Agency Funds)

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

Utility Deposit Fund – This fund receives and distributes utility deposits paid by water and sewer service customers at the commencement of services.

Mayor's Court Fund – This fund receives and distributes Mayor's Court fines and forfeitures.

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, function, and object 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, 2008 AND 2007
(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 commitments are made. Encumbrances outstanding at year end are closed and need to be reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. 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.

G. 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. EQUITY IN POOLED DEPOSITS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 55,275	\$ 197,796
Certificates of deposit	740,058	716,220
Total deposits	<u>\$ 795,333</u>	<u>\$ 914,016</u>

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

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 754,744	\$ 426,864	\$ (327,880)
Special Revenue	118,550	74,467	(44,083)
Capital Projects	25,000	-	(25,000)
Enterprise	391,000	370,155	(20,845)
Agency	2,900	3,450	550
Total	\$ 1,292,194	\$ 874,936	\$ (417,258)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 700,410	\$ 487,426	\$ 212,984
Special Revenue	117,954	113,070	4,884
Capital Projects	25,000	-	25,000
Enterprise	554,825	391,503	163,322
Agency	1,500	1,633	(133)
Total	\$ 1,399,689	\$ 993,632	\$ 406,057

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 712,199	\$ 463,336	\$ (248,863)
Special Revenue	115,800	121,652	5,852
Capital Projects	25,000	-	(25,000)
Enterprise	391,000	375,240	(15,760)
Agency	2,900	2,550	(350)
Total	\$ 1,246,899	\$ 962,778	\$ (284,121)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 730,367	\$ 431,784	\$ 298,583
Special Revenue	113,948	110,245	3,703
Capital Projects	25,000	-	25,000
Enterprise	542,400	343,635	198,765
Agency	1,500	1,297	203
Total	\$ 1,413,215	\$ 886,961	\$ 526,254

Note: The Village did not budget for all Agency Funds. The Village budgeted for Utilities Deposit Fund activity, but not for Mayor's Court Fund activity.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 TAXES

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 corporation limits, as well as certain income of residents earned outside the Village corporate limits.

Employers within the Village withhold income tax on employee compensation and remit tax to the Village monthly, quarterly, or as required. Corporation and individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10.00% and 9.50%, respectively, of their gross salaries, and the Village contributed an amount equaling 14.00% and 13.85%, respectively, of participants' gross salaries. See Finding 2008-001 in the Schedule of Audit Findings for further information concerning the Village's contribution rates. The Village had not paid all contributions required through December 31, 2008 as of the date of the audit report.

8. RISK MANAGEMENT

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

PEP retains up to \$350,000 per claim, including loss adjustment expenses. PEP makes an annual contribution to APEEP. APEEP reinsures casualty claims exceeding \$350,000, up to \$2,650,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$3,000,000. Local political subdivisions can elect additional coverage, up to a limit of \$12,000,000 from the General Reinsurance Corporation.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2007 and 2006, (the latest information available):

	2007	2006
Statement of Net Assets		
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets-Unrestricted	\$20,219,246	\$19,384,290

9. PRIOR PERIOD FUND BALANCE ADJUSTMENTS

The Village posted adjustments in 2010:

	General
Balance as of December 31, 2006	\$ 13,489
Auditor Adjustments	280,360
Adjusted Fund Balance	\$ 293,849

The Village's Income Tax Fund balance of \$280,360 was adjusted to be included in the General Fund balance instead of the Special Revenue Fund Type balance.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

9. PRIOR PERIOD FUND BALANCE ADJUSTMENTS (Continued)

	Special Revenue
Balance as of December 31, 2006	\$ 328,548
Auditor Adjustments	(267,591)
Adjusted Fund Balance	\$ 60,957

The Village's Income Tax Fund balance of \$280,360 was adjusted to be included in the General Fund balance instead of the Special Revenue Fund Type balance. A \$12,769 prior period fund balance adjustment proposed by the prior auditors from the Enterprise Fund Type to the Special Revenue Fund Type was not made to the Village's books. No documentation on the adjustment was available through the Village or the prior auditors.

	Enterprise
Balance as of December 31, 2006	\$ 488,879
Auditor Adjustments	(16,178)
Adjusted Fund Balance	\$ 472,701

A \$12,769 prior period fund balance adjustment proposed by the prior auditors from the Enterprise Fund Type to the Special Revenue Fund Type was not made to the Village's books. No documentation on the adjustment was available through the Village or the prior auditors, so the adjustment was not made. The Village's Utilities Deposit Fund balance of \$3,409 was adjusted to be reflected as an Agency Fund instead of an Enterprise Fund.

	Agency
Balance as of December 31, 2006	\$ -
Auditor Adjustments	3,409
Adjusted Fund Balance	\$ 3,409

The Village's Utilities Deposit Fund balance of \$3,409 was adjusted to be reflected as an Agency Fund instead of an Enterprise Fund.

These adjustments have been made to the financial statements.

Perry & Associates
Certified Public Accountants, A.C.

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

April 2, 2010

Village of Shreve
Wayne County
150 West McConkey Street
PO Box 604
Shreve, OH 44676

To the Village Council:

We have audited the financial statements of the **Village of Shreve, Wayne County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 2, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control 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 audit procedures for expressing our opinion 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.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2008-001 through 2008-008 described in the accompanying schedule of findings to be material weaknesses.

Internal Control over Financial Reporting (Continued)

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 finding 2008-009 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2008-001 through 2008-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 2, 2010.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Material Weakness/Noncompliance Citation

Ohio Revised Code Section 145.47 provides, in part, “each public employee who is a contributor to the public employees retirement system shall contribute eight percent of the contributor’s earnable salary to the employees’ savings fund, except that the public employees retirement board may raise the contribution rate to a rate not greater than ten percent of the employee’s earnable salary.

The fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions. A penalty of five per cent of the total amount due for the particular reporting period shall be added when such report, together with warrants of checks to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period.”

Beginning in 2008, the Board of the Ohio Public Employees Retirement System (OPERS) raised the contribution rate for employees to 9.5%. During testing, we noted each eligible employee contributed at the 2007 rate (9%) for three pay periods each. The Village was required to pay penalties and interest to OPERS during the audit period due to delayed remittance of pension withholdings. A key control in the payroll process is to assure payroll withholdings are withheld at the correct rates and submitted to the appropriate agencies timely. Failure to comply with the statute could result in additional late fees and penalties and may result in misstatement of the financial statements.

We recommend the Village establish procedures to comply with the established law and accurately withhold retirement contributions, the Fiscal Officer should file the Report of Contributions no later than thirty days after the end of the reporting period to ensure that the Village does not incur a five percent penalty.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-002

Material Weakness/Noncompliance Citation

Ohio Revised Code Section 742.35 states that each employer shall pay its annual police officer employers’ contribution and firefighter employers’ contribution in four equal installments promptly as provided in sections 742.33 and 742.34 of the Revised Code. If an employer fails to make a payment on or before the date that is sixty days after the last day of the calendar quarter, a penalty determined under section 742.352 of the Revised Code shall be assessed against the employer. In addition, interest on past due accounts and penalties may be charged at a rate determined by the board from the date the installment is due to the date of payment.

The Village was required to pay penalties and interest to Ohio Police & Fire Pension Fund (OP&F) during the audit period due to delayed remittance of withholdings.

We recommend the Village establish procedures to assure that pension contributions withheld from the gross wages of all employees be remitted to the appropriate agency on a quarterly basis.

Management’s Response – We did not receive a response from officials to this finding.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003

Material Weakness/Noncompliance Citation

Ohio Revised Code Section 733.40 requires, except as otherwise provided in Ohio Revised Code Section 4511.193, all fines, forfeitures, and cost in ordinance cases and all fees collected by the Mayor, or which in any manner come into his or her hands, or which are due to such Mayor or a Marshal, Chief of Police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, and all money received by such Mayor for the use of such municipal corporation, shall be paid by Court Clerk into the Village's treasury on the first Monday of each month.

Our review of the Village's Mayor's Court disclosed the following:

- Remittances to the Village were not paid to the Village by the first Monday of the month
- Mayor's Court Agency Fund was not maintained
- Mayor's Monthly Statements to Council were not signed by Mayor and Fiscal Officer

These weaknesses could allow recording errors and irregularities to occur and remain undetected. Adjustments were made to the Village's books to properly reflect the activity of the Mayor's Court.

We recommend the Village establish a Mayor's Court Agency Fund and distribute fines collected by the Village's Mayor's Court to the Village's General Fund and other applicable agencies by the required dates.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-004

Material Weakness/Noncompliance Citation

Ohio Revised Code Section 5705.09 states that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Also, Auditor of State Bulletin 97-019 states that court computerization fees collected must be placed in a special revenue fund established by the Village.

In 2007 and 2008, the Village collected court computerization fees in the amount of \$580 and \$895, respectively. The Village posted activity to the General Fund instead of a Court Computerization Special Revenue Fund. This could result in the court computerization fee receipts being used for unallowable expenditures as defined by Auditor of State Bulletin 97-019.

We recommend the Village establish a Court Computerization Special Revenue Fund by Board Resolution and record such activity within the minute record book. The financial statements reflect the adjustment made by the Village to move court computerization fee receipts from the General Fund to the Special Revenue Fund Type.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-005

Material Weakness/Noncompliance Citation

Ohio Revised Code Section 5705.10 states that all revenue derived from a special revenue levy is to be credited to a special fund for the purpose, which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

In 2007, Motor Vehicle License tax monies in the amount of \$1,807 were incorrectly posted to the General Fund instead of the Street Construction, Maintenance, and Repair and State Highway Funds. In 2008, Cents per Gallon tax monies in the amount of \$19,148 were incorrectly posted to the General Fund instead of the Street Construction, Maintenance, and Repair and State Highway Funds. These require adjustments between the funds. The Village has agreed to and posted the adjustments and the adjustments are reflected in the accompanying financial statements.

We recommend that the Village monitor the receipt of monies into various funds and refer to the Village chart of accounts when there is a question of appropriate fund or account coding.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-006

Material Weakness/Noncompliance Citation

26 U.S.C. Section 3402 and Ohio Rev. Code Section 5747.06 requires every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year.

The Village was required to pay penalties and interest to the Internal Revenue Service during the audit period due to delayed remittance of withholding taxes.

We recommend the Village establish procedures to assure that federal and state taxes withheld from the gross wages of all employees be remitted to the appropriate agency on a quarterly basis.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-007

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2007 and 2008, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Mayor's Court Agency Fund was not maintained for Mayor's Court activity
- Motor Vehicle License tax receipts recorded as Intergovernmental receipts in the General Fund instead of Intergovernmental receipts in the Street Construction, Maintenance, and Repair and State Highway Funds
- Cents per Gallon tax receipts recorded as Intergovernmental receipts in the General Fund instead of Intergovernmental receipts in the Street Construction, Maintenance, and Repair and State Highway Funds
- Court computerization fees recorded as Fines, Licenses, and Permits in the General Fund instead of Fines, Licenses, and Permits in the Court Computerization, Special Revenue Fund Type
- Interest receipts recorded as Miscellaneous instead of Interest in the General Fund
- Miscellaneous expenditures recorded as Other Financing Uses instead of General Government in the General Fund
- OPERS reimbursements recorded as Intergovernmental receipts instead of Miscellaneous receipts in the General Fund
- Payroll checks cleared the bank but did not show up in the system for the General, Street Construction, Repair, and Maintenance, Water, and Sewer Funds
- Deposited items returned to the bank not recorded in the General Fund

Not posting revenues and expenditures accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all reclassifications and adjustments.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SHREVE
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-008

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Village to obtain from the Auditor of State's office detailed proofs of cash for each month and a reconstruction of the cash book for the entire audit period.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Village Council for the Council's review, approval, and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-009

Significant Deficiency

Late Payments

During 2007 and 2008, the Village did not pay its Bureau of Workers' Compensation premiums, incurring late payment fees and interest on the outstanding balance.

These are unnecessary expenditures and should be avoided by paying invoices when they become due. It was noted that the Village had repaid the outstanding balance as of the date of this audit report.

We recommend the Village continue to make timely payment of premiums to ensure no further late fees or interest charges are incurred.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF SHREVE
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 5705.41(B) – Expenditures exceeded total appropriations	No	Not Corrected; Repeated in the Management Letter



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
MAY 11, 2010