

VILLAGE OF SHILOH

RICHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2005 and 2004

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



**Auditor of State
Betty Montgomery**

Village Council
Village of Shiloh
12 West Main Street
P.O. Box 242
Shiloh, Ohio 44878

We have reviewed the *Report of Independent Accountants* of the Village of Shiloh, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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BETTY MONTGOMERY
Auditor of State

September 20, 2006

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VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Audit Report
For the years ended December 31, 2005 and 2004

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Village Council
Village of Shiloh
Shiloh, Ohio

We have audited the accompanying financial statements of the Village of Shiloh, Richland County, Ohio as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Shiloh, Richland County as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 August 8, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
August 8, 2006

VILLAGE OF SHILOH
 RICHLAND COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND SIMILIAR FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Cash Receipts:				
Local Taxes	\$ 17,790	\$ 11,010	-	\$ 28,800
Intergovernmental Revenue	45,684	74,433	-	120,117
Fines, Licenses and Permits	6,923	420	-	7,343
Earnings on Investments	2,077	1,452	-	3,529
Miscellaneous	3,689	-	\$ 130	3,819
Total Cash Receipts	<u>76,163</u>	<u>87,315</u>	<u>130</u>	<u>163,608</u>
Cash Disbursements:				
Security of Persons and Property	12,500	16,873	-	29,373
Public Health Services	465	-	-	465
Leisure Time Activities	328	-	\$ 337	665
Community Environment	1,430	-	-	1,430
Basic Utility Services	4,902	-	-	4,902
Transportation	40,308	54,715	-	95,023
General Government	51,639	-	-	51,639
Capital Outlay	7,081	-	-	7,081
Debt Service				
Principal	1,058	-	-	1,058
Total Cash Disbursements	<u>119,711</u>	<u>71,588</u>	<u>337</u>	<u>191,636</u>
Total Receipts Over(Under) Disbursements	<u>(43,548)</u>	<u>15,727</u>	<u>(207)</u>	<u>(28,028)</u>
Other Financing Sources/Uses				
Other Financing Sources	24,134	-	-	24,134
Total Other Financing Sources/Uses	<u>24,134</u>	<u>-</u>	<u>-</u>	<u>24,134</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	<u>(19,414)</u>	<u>15,727</u>	<u>(207)</u>	<u>(3,894)</u>
Fund Balance January 1, 2005	<u>109,809</u>	<u>52,222</u>	<u>1,345</u>	<u>163,376</u>
Fund Balance December 31 2005	<u>\$ 90,395</u>	<u>\$ 67,949</u>	<u>\$ 1,138</u>	<u>\$ 159,482</u>
Reserve for Encumbrances, December 31, 2005	<u>\$ 1,154</u>	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ 1,359</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF SHILOH
 RICHLAND COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Cash Receipts:				
Local Taxes	\$ 17,599	\$ 11,149	-	\$ 28,748
Intergovernmental Revenue	45,959	49,513	-	95,472
Fines, Licenses and Permits	8,030	745	-	8,775
Earnings on Investments	3,560	576	-	4,136
Miscellaneous	3,610	-	\$ 145	3,755
Total Cash Receipts	<u>78,758</u>	<u>61,983</u>	<u>145</u>	<u>140,886</u>
Cash Disbursements:				
Security of Persons and Property	12,500	16,681	-	29,181
Public Health Services	383	-	-	383
Leisure Time Activities	25,672	-	-	25,672
Community Environment	1,384	-	-	1,384
Basic Utility Services	155	-	-	155
Transportation	52,124	36,945	-	89,069
General Government	43,100	-	-	43,100
Debt Service				
Principal	1,058	-	-	1,058
Total Cash Disbursements	<u>136,376</u>	<u>53,626</u>	<u>-</u>	<u>190,002</u>
Total Receipts Over(Under) Disbursements	(57,618)	8,357	145	(49,116)
Other Financing Sources/Uses				
Other Financing Sources	22,422	-	-	22,422
Total Other Financing Sources/Uses	<u>22,422</u>	<u>-</u>	<u>-</u>	<u>22,422</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(35,196)	8,357	145	(26,694)
Fund Balance January 1, 2004	<u>145,005</u>	<u>43,865</u>	<u>1,200</u>	<u>190,070</u>
Fund Balance December 31, 2004	<u>\$ 109,809</u>	<u>\$ 52,222</u>	<u>\$ 1,345</u>	<u>\$ 163,376</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 3,077</u>	<u>\$ 1,065</u>	<u>\$ -</u>	<u>\$ 4,142</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 For the Year Ended December 31, 2005

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Agency	Total (Memorandum Only)
Operating Receipts:			
Charges for Services	\$ 517,712	-	\$ 517,712
Total Operating Receipts	517,712	-	517,712
Operating Disbursements:			
Personal Services	81,779	-	81,779
Contractual Services	333,147	-	333,147
Supplies and Materials	92,968	-	92,968
Capital Outlay	16,899	-	16,899
Total Operating Disbursements	524,793	-	524,793
Excess Operating Receipts Over/(Under) Operating Disbursements	(7,081)	-	(7,081)
Non-Operating Receipts/(Disbursements):			
Fines and Fees	-	\$ 8,223	8,223
Other Financing Sources	920	-	920
Other Financing Uses	(1,280)	-	(1,280)
Distribution of Fines and Fees	-	(8,223)	(8,223)
Debt Service:			
Principal	(4,100)	-	(4,100)
Interest	(10,345)	-	(10,345)
Total Non-Operating Receipts/(Disbursements)	(14,805)	-	(14,805)
Net Receipts Over/(Under) Disbursements	(21,886)	-	(21,886)
Fund Balance January 1, 2005	542,709	-	542,709
Fund Balance December 31, 2005	\$ 520,823	\$ -	\$ 520,823
Reserve for Encumbrances December 31, 2005	\$ 108,605	\$ -	\$ 108,605

See accompanying Notes to the Financial Statements.

VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2004

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Total (Memorandum Only)</u>
Operating Receipts:			
Charges for Services	\$ 460,391	-	\$ 460,391
Miscellaneous	33,719	-	33,719
Total Operating Receipts	494,110	-	494,110
Operating Disbursements:			
Personal Services	77,980	-	77,980
Contractual Services	259,786	-	259,786
Supplies and Materials	63,540	-	63,540
Total Operating Disbursements	401,306	-	401,306
Excess Operating Receipts Over/(Under) Operating Disbursements	92,804	-	92,804
Non-Operating Receipts/(Disbursements):			
Other Financing Sources	1,887	-	1,887
Fines and Fees	-	\$ 10,338	10,338
Other Financing Uses	(2,400)	-	(2,400)
Distribution of Fines and Fees	-	(10,338)	(10,338)
Debt Service:			
Principal	(40,900)	-	(40,900)
Interest	(12,595)	-	(12,595)
Total Non-Operating Receipts (Disbursements)	(54,008)	-	(54,008)
Net Receipts Over/(Under) Disbursements	38,796	-	38,796
Fund Balance January 1, 2004	503,913	-	503,913
Fund Balance December 31, 2004	\$ 542,709	\$ -	\$ 542,709
Reserve for Encumbrances, December 31, 2004	\$ 38,346	\$ -	\$ 38,346

See accompanying Notes to the Financial Statements.

VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Village of Shiloh, Richland County, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member council. The Village provides general government services, including water, sewer and electrical utilities. The Village contracts with the Richland County Sheriff's Department to provide police services.

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

B. **BASIS OF ACCOUNTING**

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

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

C. **INVESTMENTS AND INACTIVE FUNDS**

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

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

D. **FUND ACCOUNTING**

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

Governmental Fund Types:

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

VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Governmental Fund Types – (continued)

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

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

Proprietary Fund Type:

Enterprise Funds

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

- ***Water Fund-*** This fund receives charges for services from residents to cover the cost of providing the utility.
- ***Sewer Fund-*** This fund receives charges for services from residents to cover the cost of providing the utility.
- ***Electric Fund-*** This fund receives charges for services from residents to cover the cost of providing the utility.

Fiduciary Fund Types:

Agency Funds

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

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

VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (continued)

Fiduciary Fund Types – (continued)

Trust Funds

These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent of individuals, private organizations, other governmental units and/or other funds. The Village had the following Trust Fund:

- *Expendable Trust Fund* – This fund receives donations made to the Village for the Village Park.

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

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

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances as of January 1. The County Budget Commission must also approve estimated resources.

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For The Years Ended December 31, 2005 and 2004

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$ 247,414	\$ 274,647
STAR-Ohio	47,891	46,438
Certificates of Deposit	<u>385,000</u>	<u>385,000</u>
Total	<u>\$ 680,305</u>	<u>\$ 706,085</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 is as follows:

<u>2005 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 83,076	\$ 100,297	\$ 17,221
Special Revenue	52,990	87,315	34,325
Enterprise	472,000	518,632	46,632
Expendable Trust	<u>1,000</u>	<u>130</u>	<u>(870)</u>
Total	<u>\$ 609,066</u>	<u>\$ 706,374</u>	<u>\$ 97,308</u>

<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 192,750	\$ 120,865	\$ 71,885
Special Revenue	104,000	71,793	32,207
Enterprise	998,900	649,123	349,777
Expendable Trust	<u>1,300</u>	<u>337</u>	<u>963</u>
Total	<u>\$ 1,296,950</u>	<u>\$ 842,118</u>	<u>\$ 454,832</u>

**VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004**

3. BUDGETARY ACTIVITY – (continued)

2004 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 90,890	\$ 101,180	\$ 10,290
Special Revenue	54,490	61,983	7,493
Enterprise	445,000	495,997	50,997
Expendable Trust	1,000	145	(855)
Total	\$ 591,380	\$ 659,305	\$ 67,925

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 230,250	\$ 139,453	\$ 90,797
Special Revenue	96,000	54,691	41,309
Enterprise	848,500	495,547	352,953
Expendable Trust	1,300	-	1,300
Total	\$ 1,176,050	\$ 689,691	\$ 486,359

4. PROPERTY TAXES

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF SHILOH
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004**

5. RETIREMENT SYSTEM

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants gross salaries during both years. The Village has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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 government.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 (latest information available).

VILLAGE OF SHILOH
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For The Years Ended December 31, 2005 and 2004

6. RISK MANAGEMENT – (continued)

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Net Assets	<u>\$13,725,507</u>	<u>\$13,557,131</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Net Assets	<u>\$3,375,087</u>	<u>\$3,108,199</u>

7. DEBT

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan	\$ 202,800	5.00%
OPWC Loan	\$ 7,409	0.00%

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

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

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

	<u>USDA Loan</u>	<u>OPWC Loan</u>
Year ending December 31:		
2006	\$ 14,440	\$ 1,058
2007	14,425	1,058
2008	14,400	1,058
2009	14,445	1,058
2010	14,440	1,058
Subsequent	<u>287,480</u>	<u>2,119</u>
Total	<u>\$ 359,630</u>	<u>\$ 7,409</u>

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

To the Honorable Mayor and Members
of Village Council
Village of Shiloh
Shiloh, Ohio

We have audited the financial statements of the Village of Shiloh, Ashland County, Ohio (Village) as of and for the years ended December 31, 2005 & 2004, and have issued our report thereon dated August 8, 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 8, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 8, 2006.

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

Charles E. Harris and Associates, Inc.

August 8, 2006

STATUS OF PRIOR YEARS' CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2003 and 2002, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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VILLAGE OF SHILOH

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2006**