

***VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

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



**Auditor of State
Betty Montgomery**

Village Council
Village of Shawnee
P.O. Box 15
Shawnee, OH 43782-0015

We have reviewed the *Report of Independent Accountants* of the Village of Shawnee, Perry County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. 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.

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 Shawnee is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 8, 2005

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**VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2003**

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REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members
of Village Council
Village of Shawnee
Shawnee, Ohio

We have audited the accompanying financial statements of the Village of Shawnee (the Village), as of December 31, 2003 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates 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 discussed in Note 1, the Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the Village, as of December 31, 2003, and the combined receipts, disbursements, and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of disbursements and encumbrances compared with expenditure authority for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2005 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Village. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
June 22, 2005

VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH
BALANCES - ALL FUND TYPES
As of December 31, 2003

	2003 Balances
Cash and Cash Equivalents	\$ 169,957
Investments	11,260
Total	\$ 181,217

Cash Balances By Fund Class

Governmental Fund Types:

General Fund	\$ 32,788
Special Revenue Funds	86,447
Capital Projects Funds	3,944

Proprietary Fund Type:

Enterprise Funds	54,927
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Fiduciary Fund Types:

Nonexpendable Trust	1,025
Agency	2,086
Total	\$ 181,217

See Accompanying Notes to the Financial Statements.

VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2003

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
Receipts:				
Taxes	\$ 44,881	\$ 29,753	12,776	\$ 87,410
Intergovernmental	33,634	17,623	1,263	52,520
Special Assessments	-	2,975	-	2,975
Charges for Services	-	11,662	-	11,662
Fines, Licenses, and Permits	11,187	1,537	-	12,724
Interest on Investments	1,742	-	-	1,742
Miscellaneous	327	27	-	354
Total Receipts	91,771	63,577	14,039	169,387
Disbursements:				
Security of Persons & Property	38,533	52,134	-	90,667
Public Health Service	139	8,668	-	8,807
Community Environment	-	341	-	341
Transportation	579	20,937	-	21,516
General Government	47,864	2,914	-	50,778
Capital Outlay	-	-	435	435
Debt Service:				
Principal	-	-	8,793	8,793
Interest	-	-	1,079	1,079
Total Disbursements	87,115	84,994	10,307	182,416
Excess of Receipts Over/(Under) Disbursements	4,656	(21,417)	3,732	(13,029)
Other Financing Sources/(Uses):				
Other Sources	359	28,863	-	29,222
Total Other Financing Sources/(Uses)	359	28,863	-	29,222
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	5,015	7,446	3,732	16,193
Fund Balance January 1, 2003	27,773	79,001	212	106,986
Fund Balance December 31, 2003	\$ 32,788	\$ 86,447	\$ 3,944	\$ 123,179

See Accompanying Notes to the Financial Statements.

VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Receipts:				
Charges for Services	\$ 153,741	\$ -	\$ -	\$ 153,741
Interest	-	10	-	10
Miscellaneous	930	-	-	930
Total Operating Receipts	154,671	10	-	154,681
Operating Disbursements:				
Personal Services	19,169	-	-	19,169
Employee Fringe Benefits	1,721	-	-	1,721
Contractual Services	494,462	-	-	494,462
Supplies and Materials	27,336	-	-	27,336
Other	83,031	-	-	83,031
Total Operating Disbursements	625,719	-	-	625,719
Excess Receipts Over/(Under) Disbursements	(471,048)	10	-	(471,038)
Non-Operating Receipts:				
Intergovernmental	473,151	-	-	473,151
Other Non-Operating Receipts	963	-	8,809	9,772
Total Non-Operating Receipts	474,114	-	8,809	482,923
Non-Operating Disbursements:				
Debt Service:				
Principal	12,224	-	-	12,224
Interest	2,788	-	-	2,788
Other Non-Operating Disbursements	-	-	14,403	14,403
Total Non-Operating Disbursements	15,012	-	14,403	29,415
Net Receipts Over/(Under) Disbursements	(11,946)	10	(5,594)	(17,530)
Fund Balance January 1, 2003	66,873	1,015	7,680	75,568
Fund Balance December 31, 2003	\$ 54,927	\$ 1,025	\$ 2,086	\$ 58,038

See Accompanying Notes to the Financial Statements.

VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
For the Year Ended December 31, 2003

<u>Fund Types/Funds:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>Governmental Fund Types:</u>			
General Fund	\$ 75,855	\$ 92,130	\$ 16,275
Special Revenue Funds	47,370	92,440	45,070
Capital Projects Funds	10,920	14,039	3,119
<u>Proprietary Fund Types:</u>			
Enterprise Funds	230,500	628,785	398,285
<u>Fiduciary Fund Types:</u>			
Nonexpendable Trust Fund	<u>10</u>	<u>10</u>	<u>-</u>
Total (Memorandum Only)	\$ <u>364,655</u>	\$ <u>827,404</u>	\$ <u>462,749</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
For the Year Ended December 31, 2003

<u>Fund Types/Funds</u>	<u>Carryover</u> <u>Appropriations</u>	<u>Year Ending</u> <u>2003</u> <u>Appropriations</u>	<u>Total</u>	<u>Actual</u> <u>2003</u> <u>Disbursements</u>	<u>Encumbrances</u> <u>as of</u> <u>12/31/03</u>	<u>Total</u>	<u>Variance</u> <u>Favorable/</u> <u>(Unfavorable)</u>
Governmental Funds:							
General Fund	\$ -	\$ 96,903	\$ 96,903	\$ 87,115	\$ -	\$ 87,115	\$ 9,788
Special Revenue Funds	-	94,081	94,081	84,994	-	84,994	9,087
Capital Projects Funds	-	10,600	10,600	10,307	-	10,307	293
Proprietary Funds:							
Enterprise Funds	-	862,715	862,715	640,731	-	640,731	221,984
Total (Memorandum Only)	\$ -	\$ 1,064,299	\$ 1,064,299	\$ 823,147	\$ -	\$ 823,147	\$ 241,152

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Shawnee (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 maintenance of Village streets and cemeteries, water and utility services, park operations, emergency medical services and police and fire protection.

The Village's management believes these 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**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement 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**

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at purchase cost. Interest earned is recognized and recorded when received. See Note 2 for further description.

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 Fund is 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.

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

**VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

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

Fire Department Fund- This fund receives tax monies assessed and levied on general assessed valuation of real and personal property taxes for the operation of the fire department.

Capital Projects Funds: 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).

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 Operating Fund: This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund: This fund receives charges for services from residents to cover the cost of providing this utility.

Enterprise Improvement Fund: This fund received a United States Department of Agriculture grant and loans to update the Village's water and waste disposal system.

Fiduciary Funds

These funds account for activity for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust the fund is classified as a Nonexpendable Trust Fund. Funds for which the Village is acting in an agency capacity are classified as Agency Funds. The Village had the following fiduciary funds:

Cemetery Bequest Funds: These nonexpendable trust funds are to account for money received and placed in trust for perpetual care of an individual's grave. Only the interest earned on the trust can be used for the cost of maintaining the cemeteries.

Mayor's Court Fund: This agency fund accounts for the financial activity of the Mayor's Court.

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

**VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

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 approve estimated resources.

3. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the object level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. UNPAID VACATION AND SICK LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of the Village's cash and investments at December 31, 2003 was as follows:

Demand Deposits	\$169,957
Certificates of Deposit	<u>11,260</u>
Total Deposits and Investments	<u>\$181,217</u>

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk/Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2003.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio and are reflected in the accompanying financial statements as Intergovernmental Receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The County Treasurer collects property tax on behalf of all taxing Villages within the county. The County Auditor periodically remits to the taxing entities their portion of the taxes collected.

4. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3581/RD	\$1,506,000	4.00%
Ohio Public Works Commission	65,488	0.00%
GMAC	47,750	5.00%
North Valley Bank	<u>14,805</u>	4.62%
Total	<u>\$1,634,043</u>	

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 is as follows:

<u>Year</u>	<u>OWDA</u>	<u>OPWC</u>	<u>GMAC</u>	<u>North Valley</u>	<u>Total</u>
2004	\$1,605,154	\$4,225	\$10,387	\$9,872	\$1,629,638
2005	-	4,225	9,988	5,877	20,090
2006	-	4,225	9,588	-	13,813
2007	-	4,225	9,188	-	13,413
2008	-	4,225	8,787	-	13,012
Subsequent	-	44,363	8,138	-	52,501
Total	<u>\$1,605,154</u>	<u>\$65,488</u>	<u>\$56,076</u>	<u>\$15,749</u>	<u>\$1,742,467</u>

5. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, ("the Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Pool is deemed a separate legal entity. The Pool provides a program of property and casualty

**VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2003 generally protect against individual losses exceeding \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002:

	<u>2002</u>
Assets	\$ 1,852,060
Liabilities	<u>(3,627,321)</u>
Retained Deficit	<u>\$(1,775,261)</u>

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, cost sharing, multiple employer plans. These plans provide 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. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5%. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions for 2003.

7. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects the amount to be immaterial.

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Solicitor, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

**VILLAGE OF SHAWNEE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

8. SUBSEQUENT EVENT

The Village refinanced the Ohio Water Development Authority (OWDA) interim note in the amount of \$1,506,000 with a long-term loan from the United States Department of Agriculture (USDA) – Rural Development. The OWDA loan was paid off in May 2004.

9. LEGAL COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, we performed tests of compliance with provisions of local, state, and/or federal laws, as applicable. The auditor's report on the Village's compliance with the Ohio Revised Code and internal control structure comments are included in a separate part of this presentation.

VILLAGE OF SHAWNEE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2003

Federal Grantor/Title Grantor Number/Program Title	CFDA #	Pass-Through Entity Number	Federal Expenditures
<u>U.S. Department of Agriculture:</u>			
<i>Received directly from USDA:</i>			
<i>Water and Waste Disposal Systems for Rural Communities</i>	10.760	N/A	\$ 72,549
Total Department of Agriculture			<u>72,549</u>
<u>U.S. Department of Housing and Urban Development:</u>			
<i>Passed through Ohio Department of Development:</i>			
<i>Water and Sanitary Sewer Facilities</i>	14.228	CW-00-231-1	99,982
Total U.S. Department of Housing and Urban Development			<u>99,982</u>
<u>U.S. Department of Homeland Security:</u>			
<i>Received Directly from Homeland Security:</i>			
<i>Assistance to Firefighters Grant Program</i>	97.044	N/A	15,086
<i>Passed through Ohio Emergency Management Agency:</i>			
<i>Hazard Mitigation Program</i>	97.039	DR-1453-OH	1,142
Total U.S. Department of Homeland Security			<u>16,228</u>
<u>Appalachian Regional Commission</u>			
<i>Received Directly from ARC:</i>			
<i>Physical Infrastructure</i>	23.001	N/A	300,000
Total Appalachian Regional Commission			<u>300,000</u>
Total Expenditures of Federal Awards:			<u>\$ 488,759</u>

See notes to schedule of expenditures of federal awards.

**Village of Shawnee
Perry County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2003**

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village of Shawnee's federal award programs. The schedule has been prepared on the cash basis of accounting.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members
of Village Council
Village of Shawnee
Shawnee, Ohio

We have audited the financial statements of the Village of Shawnee as of December 31, 2003 and for the year then ended, and have issued our report thereon dated June 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the 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, which we have reported to management of the Village in a separate letter dated June 22, 2005.

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 and grant agreements, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as finding 2003-SHAW-01. We also noted certain additional matters that we reported to management of the Village in a separate letter dated June 22, 2005.

This report is intended for the information and use of the Mayor, Members of Village Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
June 22, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**The Honorable Mayor and Members
of Village Council
Village of Shawnee
Shawnee, Ohio**

Compliance

We have audited the compliance of the Village of Shawnee (the Village) with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The Village of Shawnee's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Shawnee complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Village of Shawnee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, management of the Village of Shawnee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
June 22, 2005

**VILLAGE OF SHAWNEE
PERRY COUNTY
Schedule of Findings and Questioned Costs-OMB Circular A-133 Section .505
December 31, 2003**

A. Summary of Audit Results

1. The independent auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions relating to the audit of the financial statements were identified.
3. One instance of noncompliance material to the financial statements was disclosed as Finding 2003-SHAW-01.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified.
5. The independent auditor's report on compliance with requirements applicable to the major federal award program expresses an unqualified opinion.
6. There were no audit findings relative to the major program for the Village of Shawnee.
7. The program tested as a major program was CFDA# 23.001 – Appalachian Regional Commission.
8. The dollar threshold for distinguishing Type A and Type B programs was \$300,000.
9. The Village of Shawnee was determined not to be a low-risk auditee.

B. Findings-Financial Statement Audit

Finding 2003-SHAW-01: Appropriations Exceeded Estimated Resources

Section 5705.39 Revised Code, states that the total appropriations from each fund should not exceed the total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official certificate. Appropriations exceeded estimated resources for the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Water Fund	\$131,536	\$132,412	\$ (876)
Sewer Fund	\$144,943	\$209,957	\$ (65,014)
Improvement Fund	\$ 7,385	\$509,346	\$(501,961)

We recommend the Village limit appropriations to estimated resources and file an amended certificate of estimated resources whenever there is an increase in revenue and the Council expects to appropriate and spend the increased revenue.

C. Findings and Questioned Costs- Major Federal Award Programs

None

**VILLAGE OF SHAWNEE
PERRY COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-31064-001	Ohio Rev. Code 5705.39: Appropriations exceeded estimated revenues	No	Not Corrected- Repeated as Finding 2003-SHAW-01
2001-30727-001	Ohio Rev. Code 5705.41(D): Contracts and purchase commitments were not certified by the Clerk-Treasurer.	Yes	Finding No Longer Valid. The fiscal officer now provides the appropriate certification.



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VILLAGE OF SHAWNEE

PERRY 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
NOVEMBER 22, 2005**