



**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**SINGLE AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Shawnee Hills  
Delaware County  
40 West Reindeer Drive  
Shawnee Hills, Ohio 43065

To the Village Council:

We have audited the accompanying financial statements of the Village of Shawnee Hills, Delaware County, Ohio, ("the Village") as of and for the years ended December 31, 2001 and December 31, 2000. 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 the 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 fund cash balances and reserves for encumbrances of the Village as of and for the years ended December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the accompanying financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures for the year ended December 31, 2001 is presented for additional analysis as required by the 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 accompanying financial statements. We subjected this information to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly presented in all material respects, in relation to the accompanying financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Village Council, federal awarding agencies and pass through entities and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

March 18, 2002

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$209,553	\$0	\$0	\$209,553
Special Assessments	0	105,395	0	105,395
Intergovernmental Receipts	44,849	10,834	1,604,476	1,660,159
Charges for Services	0	0	53,360	53,360
Fines, Licenses, and Permits	35,428	2,690	49,794	87,912
Earnings on Investments	7,235	0	24,145	31,380
Miscellaneous	48,746	0	0	48,746
<b>Total Cash Receipts</b>	<u>345,811</u>	<u>118,919</u>	<u>1,731,775</u>	<u>2,196,505</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	115,407	50,500	0	165,907
Public Health Services	628	0	0	628
Leisure Time Activities	0	204	0	204
Community Environment	81,244	0	0	81,244
Transportation	0	23,348	0	23,348
General Government	163,059	2,002	0	165,061
Debt Service:				
Repayment of Debt	0	0	2,170,060	2,170,060
Capital Outlay	0	0	2,752,669	2,752,669
<b>Total Cash Disbursements</b>	<u>360,338</u>	<u>76,054</u>	<u>4,922,729</u>	<u>5,359,121</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(14,527)</u>	<u>42,865</u>	<u>(3,190,954)</u>	<u>(3,162,616)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	4,801	0	0	4,801
Transfers-Out	0	(4,801)	0	(4,801)
Proceeds of Loans	0	0	1,700,000	1,700,000
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>4,801</u>	<u>(4,801)</u>	<u>1,700,000</u>	<u>1,700,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,726)	38,064	(1,490,954)	(1,462,616)
Fund Cash Balances January 1	101,559	103,303	1,689,408	1,894,270
<b>Fund Cash Balances, December 31</b>	<u><u>\$91,833</u></u>	<u><u>\$141,367</u></u>	<u><u>\$198,454</u></u>	<u><u>\$431,654</u></u>
Reserves for Encumbrances, December 31	<u>\$43,457</u>	<u>\$0</u>	<u>\$0</u>	<u>\$43,457</u>

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

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Court Collections	\$35,262
Total Non-Operating Cash Receipts	35,262
<b>Non-Operating Cash Disbursements:</b>	
Distribution of Court Fines/Fees	38,795
Total Non-Operating Cash Disbursements	38,795
Net Receipts Over/(Under) Disbursements	(3,533)
Fund Cash Balances, January 1	5,506
<b>Fund Cash Balances, December 31</b>	<b>\$1,973</b>

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



**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$188,436	\$0	\$0	\$188,436
Special Assessments	0	98,268	0	98,268
Intergovernmental Receipts	41,087	11,153	3,077	55,317
Fines, Licenses, and Permits	38,775	2,905	0	41,680
Earnings on Investments	8,254	0	0	8,254
Miscellaneous	3,904	0	4,732	8,636
	<u>280,456</u>	<u>112,326</u>	<u>7,809</u>	<u>400,591</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	102,879	50,500	0	153,379
Community Environment	31,486	712	0	32,198
Basic Utility Services	0	0	79,652	79,652
Transportation	0	5,427	0	5,427
General Government	127,741	9,740	0	137,481
Debt Service:				
Repayment of Debt	7,490	0	0	7,490
	<u>269,596</u>	<u>66,379</u>	<u>79,652</u>	<u>415,627</u>
Total Receipts Over/(Under) Disbursements	<u>10,860</u>	<u>45,947</u>	<u>(71,843)</u>	<u>(15,036)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds of Loans	0	0	1,761,204	1,761,204
	<u>0</u>	<u>0</u>	<u>1,761,204</u>	<u>1,761,204</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,860	45,947	1,689,361	1,746,168
Fund Cash Balances, January 1	90,699	57,356	47	148,102
<b>Fund Cash Balances, December 31</b>	<b><u>\$101,559</u></b>	<b><u>\$103,303</u></b>	<b><u>\$1,689,408</u></b>	<b><u>\$1,894,270</u></b>
Reserves for Encumbrances, December 31	<u>\$20,180</u>	<u>\$0</u>	<u>\$0</u>	<u>\$20,180</u>

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

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Court Collections	\$44,102
Total Non-Operating Cash Receipts	44,102
<b>Non-Operating Cash Disbursements:</b>	
Distribution of Court Fines/Fees	38,641
Total Non-Operating Cash Disbursements	38,641
Net Receipts Over/(Under) Disbursements	5,461
Fund Cash Balances, January 1	45
<b>Fund Cash Balances, December 31</b>	<b>\$5,506</b>

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

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Shawnee Hills, Delaware 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 governmental services, including water and sewer utilities and police services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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.

The Village invests in a term repurchase agreement through the Delaware County Bank and Trust.

**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 Fund**

These funds are used to account for proceeds from specific sources (other than capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

Fire Fund - This fund receives real estate property tax and personal property tax money for providing fire protection for the Village.

**3. Capital Projects Funds**

These funds are 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:

Sewer Fund - This fund received Rural Development Authority and CDBG federal grant monies in addition to OPWC grant monies. The proceeds are being used to construct a new sewer system for Village resident use.

**4. Fiduciary Fund (Agency Fund)**

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

Mayor's Court Fund - This fund receives traffic fines and court costs from Mayor's Court and distributes collections to the Village General and Special Revenue Funds and the State of Ohio.

**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 or object 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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 reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investment 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>2001</u>	<u>2000</u>
Demand deposits	<u>\$218,627</u>	<u>\$1,709,776</u>
Total deposits	<u>218,627</u>	<u>1,709,776</u>
Repurchase agreements	<u>215,000</u>	<u>190,000</u>
Total investments	<u>215,000</u>	<u>190,000</u>
Total deposits and investments	<u><u>\$433,627</u></u>	<u><u>\$1,899,776</u></u>

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

**Investments:** The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$353,223	\$350,612	(\$2,611)
Special Revenue	112,636	118,919	6,283
Capital Projects	2,459,859	3,431,775	971,916
Total	<u>\$2,925,718</u>	<u>\$3,901,306</u>	<u>\$975,588</u>

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$434,191	\$403,795	\$30,396
Special Revenue	173,342	80,855	92,487
Capital Projects	4,149,267	4,922,729	(773,462)
Total	<u>\$4,756,800</u>	<u>\$5,407,379</u>	<u>(\$650,579)</u>

**2000 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$246,352	\$280,456	\$34,104
Special Revenue	116,091	112,326	(3,765)
Capital Projects	1,760,000	1,769,013	9,013
Total	<u>\$2,122,443</u>	<u>\$2,161,795</u>	<u>\$39,352</u>

**2000 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$329,850	\$289,776	\$40,074
Special Revenue	115,172	66,379	48,793
Capital Projects	2,250,000	79,652	2,170,348
Total	<u>\$2,695,022</u>	<u>\$435,807</u>	<u>\$2,259,215</u>

Budgetary expenditures exceeded appropriations authority in the Capital Projects Sewer Fund by \$773,462 for the year ended December 31, 2001.

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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.

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.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of two percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Authority (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Rural Development Authority Loan	<u>\$1,700,000</u>	4.75%

The Rural Development Authority loan relates to a water and sewer project to provide water and sewer service to Village residents that was mandated by the Ohio Environmental Protection Agency. The loan was granted in conjunction with a grant from the Rural Development Authority and represents the portion of the project the Village will pay for. The Rural Development Authority has approved the Village for up to \$2,957,000 for the project, including the \$1,700,000 loan. The loan will be repaid in annual installments of \$95,015, including interest, over 40 years. The loan is collateralized by the Village's taxing authority. The Village has agreed to set utility rates sufficient to cover Rural Development Authority debt service requirements.

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (Continued)**

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

Year ending December 31:	Rural Development Authority Loan
2002	\$0
2003	95,015
2004	95,015
2005	95,015
2006	95,015
2007 – 2011	475,073
2012 – 2016	475,073
2017 – 2021	475,073
2022 – 2026	475,073
2027 – 2031	475,073
2032 – 2036	475,073
2037 – 2041	475,073
2042 – 2046	95,015
Total	\$3,800,586

In addition to the debt mentioned above, the Village also entered into a \$1,700,000 short term loan during the year ended December 31, 2000 in anticipation of the Rural Development Authority loan. The proceeds of the loan were utilized by the Village for the construction of the water and sewer project mandated by the Ohio Environmental Protection Agency. The loan was additionally extinguished by the Village during the year ended December 31, 2001 with the proceeds from the Rural Development Authority loan.

During the fiscal year ended December 31, 2001, the Village further extinguished four outstanding OWDA loans previously received by the Village for work on the water and sewer project. The aggregate outstanding balance of these loans, \$381,306, was paid from the proceeds of the short term loan entered into by the Village in anticipation of the Rural Development Authority loan.

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are 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. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000. Commencing July 1, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2001.



**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance coverage to full-time employees through a private carrier.

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**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Water and Waste Disposal Systems for Rural Communities		10.760	\$2,358,717
Total U.S. Department of Agriculture			<u><b>2,358,717</b></u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Delaware County:</i>			
Community Development Block Grant	B-F-99-020-1	14.228	380,700
Total U.S. Department of Housing and Urban Development			<u><b>380,700</b></u>
<b>Total</b>			<u><u><b>\$2,739,417</b></u></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Village of Shawnee Hills  
Delaware County  
40 West Reindeer Drive  
Shawnee Hills, Ohio 43065

To the Village Council:

We have audited the accompanying financial statements of the Village of Shawnee Hills, Delaware County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated March 18, 2002. 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.

**Compliance**

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 grants, 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 that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-30621-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 18, 2002.

**Internal Control 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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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 March 18, 2002.

Village of Shawnee Hills  
Delaware County  
Report of on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council, 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.

**JIM PETRO**  
Auditor of State

March 18, 2002



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

Village Council  
Village of Shawnee Hills  
Delaware County  
40 West Reindeer Drive  
Shawnee Hills, Ohio 43065

**Compliance**

We have audited the compliance of the Village of Shawnee Hills, Delaware County, Ohio, ("the Village") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

**Internal Control Over Compliance**

The management of the Village 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 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 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 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 for the information and use of the audit committee, management, Village Council, 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.

**JIM PETRO**  
Auditor of State

March 18, 2002



**VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY**

**DECEMBER 31, 2001 AND DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Program (list):</b>	Water and Waste Disposal Systems for Rural Communities (CFDA # 10.760) Community Development Block Grant (CDBG) (CFDA # 14.228)
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY  
DECEMBER 31, 2001 and DECEMBER 31, 2000

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
(Continued)

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

<b>Finding Number</b>	<b>2001-30621-001</b>
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

At December 31, 2001 expenditures exceeded appropriations in the Capital Projects Fund by \$773,462. Resources were available for Council to pass an amended appropriation resolution.

We recommend the Village Council monitor expenditures to ensure they do not exceed appropriations.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF SHAWNEE HILLS**

**DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 18, 2002**