

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2010 and 2009

SHIRLEY ROSKOSKI, FISCAL OFFICER



Dave Yost • Auditor of State

Village Council and Mayor
Village of Shawnee Hills
40 W. Reindeer Dr.
Powell, Ohio 43065

We have reviewed the *Independent Auditor's Report* of the Village of Shawnee Hills, Delaware County, prepared by Julian & Grube, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 27, 2011

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**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

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Julian & Grube, Inc.

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Independent Auditor's Report

Members of Council and Mayor
Village of Shawnee Hills
40 W. Reindeer Drive
Powell, Ohio 43065

We have audited the accompanying financial statements of the Village of Shawnee Hills, Delaware County, Ohio, as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village of Shawnee Hills' 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 2, the Village of Shawnee Hills prepared these financial statement 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village of Shawnee Hills' larger (i.e. major) funds separately. While the Village of Shawnee Hills does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Village of Shawnee Hills to reformat their statements. The Village of Shawnee Hills has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Shawnee Hills, Delaware County, Ohio, as of December 31, 2010 and 2009, or its changes in financial position or cash flows of its proprietary fund type 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 of the Village of Shawnee Hills, Delaware County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the accounting basis Note 2 describes.

Independent Auditor's Report
Village of Shawnee Hills
Page 2

The Village of Shawnee Hills 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 March 11, 2011, on our consideration of the Village of Shawnee Hills' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 11, 2011

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2010 AND 2009

<u>Cash and Cash Equivalents</u>	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 538,081	\$ 440,641
Total Cash and Cash Equivalents	<u>\$ 538,081</u>	<u>\$ 440,641</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 100,323	\$ 162,874
Special Revenue Funds	113,174	150,195
Capital Projects Funds	<u>108,915</u>	<u>1,223</u>
Total Governmental Fund Types	<u>322,412</u>	<u>314,292</u>
 <u>Proprietary Fund Type:</u>		
Enterprise Funds	<u>213,629</u>	<u>124,893</u>
 <u>Fiduciary Fund Type:</u>		
Agency	<u>2,040</u>	<u>1,456</u>
Total Fund Balances	<u>\$ 538,081</u>	<u>\$ 440,641</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 416,173	\$ 228,096	\$ -	\$ 644,269
Intergovernmental	34,701	67,254	25,000	126,955
Special assessments	-	3,932	-	3,932
Fines, licenses, and permits	49,866	2,380	-	52,246
Interest	42	16	-	58
Miscellaneous	39,354	960	-	40,314
Total cash receipts	<u>540,136</u>	<u>302,638</u>	<u>25,000</u>	<u>867,774</u>
Cash disbursements:				
Current:				
Security of persons and property	188,049	124,102	-	312,151
Community environment	74,674	1,117	-	75,791
Transportation	-	109,313	-	109,313
General government	183,499	19,853	-	203,352
Capital outlay	40,000	78,956	33,360	152,316
Debt service:				
Principal retirement	-	5,817	-	5,817
Interest and fiscal charges	-	501	-	501
Total cash disbursements	<u>486,222</u>	<u>339,659</u>	<u>33,360</u>	<u>859,241</u>
Total cash receipts over/(under) cash disbursements	<u>53,914</u>	<u>(37,021)</u>	<u>(8,360)</u>	<u>8,533</u>
Other financing receipts/(disbursements)				
Operating transfers in	-	-	116,052	116,052
Operating transfers out	(116,052)	-	-	(116,052)
Other uses	(413)	-	-	(413)
Total other financing receipts/(disbursements)	<u>(116,465)</u>	<u>-</u>	<u>116,052</u>	<u>(413)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(62,551)	(37,021)	107,692	8,120
Cash fund balances, January 1, 2010	<u>162,874</u>	<u>150,195</u>	<u>1,223</u>	<u>314,292</u>
Cash fund balances, December 31, 2010	<u>\$ 100,323</u>	<u>\$ 113,174</u>	<u>\$ 108,915</u>	<u>\$ 322,412</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 324,237	\$ -	\$ 324,237
Other miscellaneous	5,907	-	5,907
Total operating cash receipts	<u>330,144</u>	<u>-</u>	<u>330,144</u>
Operating cash disbursements:			
Personal services	16,174	-	16,174
Employee fringe benefits	2,748	-	2,748
Contractual services	120,672	-	120,672
Supplies and materials	5,693	-	5,693
Total operating cash disbursements	<u>145,287</u>	<u>-</u>	<u>145,287</u>
Operating income/(loss)	<u>184,857</u>	<u>-</u>	<u>184,857</u>
Nonoperating cash receipts/(disbursements):			
Court collections	-	41,156	41,156
Interest	463	-	463
Distribution of court fines/fees	-	(40,572)	(40,572)
Debt service:			
Principal	(21,900)	-	(21,900)
Interest	(74,684)	-	(74,684)
Total nonoperating cash receipts/(disbursements)	<u>(96,121)</u>	<u>584</u>	<u>(95,537)</u>
Income/(loss) before operating transfers	<u>88,736</u>	<u>584</u>	<u>89,320</u>
Transfers in	12,855	-	12,855
Transfers out	(12,855)	-	(12,855)
Net income/(loss)	88,736	584	89,320
Cash fund balances, January 1, 2010	<u>124,893</u>	<u>1,456</u>	<u>126,349</u>
Cash fund balances, December 31, 2010	<u>\$ 213,629</u>	<u>\$ 2,040</u>	<u>\$ 215,669</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2010 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2010 Appropriations	Total	Actual 2010 Disbursements	Encumbrances Outstanding at 12/31/10	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 158,716	\$ 529,468	\$ 688,184	\$ 540,136	\$ 10,668	\$ 4,158	\$ 681,979	\$ 686,137	\$ 602,687	\$ 5,290	\$ 607,977	\$ 78,160
Special Revenue	149,337	287,122	436,459	302,638	15,516	858	430,580	431,438	339,659	1,672	341,331	90,107
Capital Projects	1,223	468,095	469,318	141,052	(327,043)	-	357,371	357,371	33,360	317,598	350,958	6,413
Proprietary:												
Enterprise	124,406	321,462	445,868	343,462	22,000	487	279,561	280,048	254,726	464	255,190	24,858
Total (Memorandum Only)	\$ 433,682	\$ 1,606,147	\$ 2,039,829	\$ 1,327,288	\$ (278,859)	\$ 5,503	\$ 1,749,491	\$ 1,754,994	\$ 1,230,432	\$ 325,024	\$ 1,555,456	\$ 199,538

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 413,840	\$ 224,596	\$ -	\$ 638,436
Intergovernmental	34,637	70,923	137,119	242,679
Special assessments	-	6,111	-	6,111
Fines, licenses, and permits	60,675	3,385	-	64,060
Interest	292	82	-	374
Miscellaneous	610	1,610	-	2,220
Total cash receipts	<u>510,054</u>	<u>306,707</u>	<u>137,119</u>	<u>953,880</u>
Cash disbursements:				
Current:				
Security of persons and property	174,024	171,076	-	345,100
Community environment	55,753	-	-	55,753
Transportation	-	50,130	-	50,130
General government	194,142	10,212	-	204,354
Capital outlay	-	54,000	156,896	210,896
Debt service:				
Principal retirement	-	5,409	-	5,409
Interest and fiscal charges	-	1,484	-	1,484
Total cash disbursements	<u>423,919</u>	<u>292,311</u>	<u>156,896</u>	<u>873,126</u>
Total cash receipts over/(under) cash disbursements	<u>86,135</u>	<u>14,396</u>	<u>(19,777)</u>	<u>80,754</u>
Other financing receipts/(disbursements)				
Operating transfers in	2,502	1,129	21,000	24,631
Operating transfers out	(21,000)	(3,631)	-	(24,631)
Total other financing receipts/(disbursements)	<u>(18,498)</u>	<u>(2,502)</u>	<u>21,000</u>	<u>-</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	67,637	11,894	1,223	80,754
Cash fund balances, January 1, 2009	<u>95,237</u>	<u>138,301</u>	<u>-</u>	<u>233,538</u>
Cash fund balances, December 31, 2009	<u>\$ 162,874</u>	<u>\$ 150,195</u>	<u>\$ 1,223</u>	<u>\$ 314,292</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Agency	(Memorandum Only)
Operating cash receipts:			
Charges for services	\$ 268,587	\$ -	\$ 268,587
Total operating cash receipts	268,587	-	268,587
Operating cash disbursements:			
Personal services	16,514	-	16,514
Employee fringe benefits	2,571	-	2,571
Contractual services	138,676	-	138,676
Supplies and materials	1,874	-	1,874
Total operating cash disbursements	159,635	-	159,635
Operating income/(loss)	108,952	-	108,952
Nonoperating cash receipts/(disbursements):			
Court collections	-	52,682	52,682
Interest	484	-	484
Distribution of court fines/fees	-	(53,583)	(53,583)
Debt service:			
Principal	(20,900)	-	(20,900)
Interest	(75,677)	-	(75,677)
Total nonoperating cash receipts/(disbursements)	(96,093)	(901)	(96,994)
Income/(loss) before operating transfers	12,859	(901)	11,958
Transfers in	32,862	-	32,862
Transfers out	(32,862)	-	(32,862)
Net income/(loss)	12,859	(901)	11,958
Cash fund balances, January 1, 2009	112,034	2,357	114,391
Cash fund balances, December 31, 2009	\$ 124,893	\$ 1,456	\$ 126,349

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2009 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2009 Appropriations	Total	Actual 2009 Disbursements	Encumbrances Outstanding at 12/31/09	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 88,675	\$ 467,481	\$ 556,156	\$ 512,556	\$ 45,075	\$ 6,562	\$ 549,166	\$ 555,728	\$ 444,919	\$ 4,158	\$ 449,077	\$ 106,651
Special Revenue	84,439	351,064	435,503	307,836	(43,228)	53,862	368,413	422,275	295,942	858	296,800	125,475
Capital Projects	-	227,266	227,266	158,119	(69,147)	-	227,266	227,266	156,896	-	156,896	70,370
Proprietary:												
Enterprise	77,745	328,648	406,393	301,933	(26,715)	34,289	275,710	309,999	289,074	487	289,561	20,438
Total												
(Memorandum Only)	\$ 250,859	\$ 1,374,459	\$ 1,625,318	\$ 1,280,444	\$ (94,015)	\$ 94,713	\$ 1,420,555	\$ 1,515,268	\$ 1,186,831	\$ 5,503	\$ 1,192,334	\$ 322,934

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1 - 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 sewer utility and police services. The Village contracts with Concord Township for fire protection services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

Governmental Fund Types

General Fund - The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

The Village had the following significant special revenue funds:

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

Fire Fund - This fund receives real estate property tax and personal property tax money for providing fire protection for the Village. This service is contracted out to Concord Township.

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 funds). The Village had the following Capital Projects fund:

Other Capital Projects Fund - This fund receives grant money to assist in sidewalk and street repair projects.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary Fund Type

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

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

Enterprise Debt Service Fund - This fund is used to accumulate resources for the payment of the Sanitary Sewer System Mortgage Revenue Bonds.

Fiduciary Fund Type (Agency)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for monies from collections of fines imposed from tickets issued by the Village's police protection force.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting 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. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated, except for Agency Funds. The primary level of budgetary control is at the object level within a department and fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Delaware County Commissioner waived this requirement for 2010 and 2009.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2010 and 2009.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$521 and \$858 for the years ended December 31, 2010 and 2009, respectively.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as disbursements in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Village.

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

H. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. Residual equity transfers are nonrecurring or non-routine transfers of equity between funds.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

NOTE 3 - COMPLIANCE

The Village's Other Capital Projects Fund was in noncompliance with Ohio Revised Code Section 5705.36(A)(4) for the years ended December 31, 2010 and 2009.

NOTE 4 - 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 cash and cash equivalents at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Deposits:		
Demand deposits	<u>\$ 538,081</u>	<u>\$ 440,641</u>

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the Village's operating transfers for 2010 and 2009:

<u>2010</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 116,052
<u>Capital Project Fund:</u>		
Other Capital Projects	116,052	-
<u>Enterprise Funds:</u>		
Sewer Operating	-	4,000
Sewer Replacement	4,000	-
Debt Service	-	8,855
Debt Reserve	8,855	-
Total Enterprise Funds	12,855	12,855
Total	\$ 128,907	\$ 128,907
<u>2009</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,502	\$ 21,000
<u>Special Revenue Funds:</u>		
Street Construction, Maintenance & Repair	1,129	-
FEMA	-	3,631
Total Special Revenue Funds	1,129	3,631
<u>Capital Project Fund:</u>		
Other Capital Projects	21,000	-
<u>Enterprise Funds:</u>		
Sewer Operating	-	10,000
Sewer Replacement	10,000	-
Debt Service	-	22,862
Debt Reserve	22,862	-
Total Enterprise Funds	32,862	32,862
Total	\$ 57,493	\$ 57,493

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The Village's transfers in 2009 from the FEMA Fund to the General Fund and Street Construction, Maintenance and Repair Fund were repayments from where the payments originated.

The Village's transfers in 2010 and 2009 from the Enterprise Debt Service Fund to the Enterprise Debt Reserve Fund were required per the USDA loan covenant.

In accordance with the codified Village ordinances, transfers in 2010 and 2009 from the Sewer Operating Fund to the Sewer replacement Fund were to establish and fund the future replacement of equipment related to the sewer system.

Transfers are intended to permanently reallocate money from one fund to another as authorized in the Ohio Revised Code Sections 5705.14 to 5705.16.

All transfers made in 2010 and 2009 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - 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 payments, the first half is due December 31. The second half payment is due on the following June 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property eliminated in calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTE 7 - 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 the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file the declaration annually. Income tax receipts for the years ended December 31, 2010 and December 31, 2009 were \$349,009 and \$346,431, respectively, and are credited to the General Fund.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 8 - DEBT OBLIGATIONS

At December 31, 2010 and 2009, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/10</u>	<u>Balance at 12/31/09</u>
2001 United States Department of Agriculture (USDA) Rural Development, Sanitary Sewer System Mortgage Revenue Bonds, due in annual installments of varying amounts through 2041, bearing interest at 4.75%.	\$ 1,550,400	\$ 1,572,300
2004 note for the purchase of a 2005 Dodge Ram truck, due in monthly installments of \$574 , bearing interest at 16.823%.	-	5,817
Total	<u><u>\$ 1,550,400</u></u>	<u><u>\$ 1,578,117</u></u>

Transactions for the years ended December 31, 2010 and 2009 are summarized as follows:

<u>2010</u>	<u>Balance at 1/1/2010</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/2010</u>
2001 USDA	\$ 1,572,300	\$ -	\$ (21,900)	\$ 1,550,400
2004 Note	5,817	-	(5,817)	-
	<u><u>\$ 1,578,117</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (27,717)</u></u>	<u><u>\$ 1,550,400</u></u>
<u>2009</u>	<u>Balance at 1/1/2009</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/2009</u>
2001 USDA	\$ 1,593,200	\$ -	\$ (20,900)	\$ 1,572,300
2004 Note	11,226	-	(5,409)	5,817
	<u><u>\$ 1,604,426</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (26,309)</u></u>	<u><u>\$ 1,578,117</u></u>

The principal and interest requirements to retire the debt obligation at December 31, 2010 is as follows:

<u>Year Ending December 31</u>	<u>USDA BONDS</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 22,900	\$ 73,712
2012	24,000	72,677
2013	25,100	71,593
2014	26,300	70,223
2015	27,600	68,973
2016-2020	158,900	323,923
2021-2025	200,300	282,439
2026-2030	252,600	230,121
2031-2035	318,700	164,138
2036-2040	401,800	80,924
2041	92,200	40,246
	<u><u>\$ 1,550,400</u></u>	<u><u>\$ 1,478,969</u></u>

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 9 - DEBT COVENANT

The Village's USDA mortgage revenue bond debt covenant requires the Village to (1) maintain a Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund. These funds are to be established for, and pledged to, the payment of principal and interest on the Bonds, a sum equal to at least one-twelfth of the amount of interest due on the next ensuing interest payment date with respect to all bonds outstanding plus the amount necessary to provide for payment of the next ensuing principal maturity of all bonds outstanding, and (2) establish a reserve fund whereby the sum of \$805.03 each month must be deposited until there is accumulated in such fund the sum of \$96,603, the minimum reserve.

The Village maintains a separate "Reserve Fund" and a "Sinking Fund" in compliance with the USDA mortgage revenue bond debt covenants. The Village enterprise debt service fund receives a portion of the sewer receipts that is specified by Village ordinance to be allocated to the "Sinking Fund" for the annual principal and interest due to be paid. Monies are also maintained in this fund for the required monthly payments of \$805.03 which are subsequently transferred to the "Reserve Fund". During 2009, the Village supplemented the Debt Reserve for past unfunded reserve amounts. During 2010, the Village met the minimum reserve fund balance required. The years ended December 31, 2010 and 2009 were properly funded.

NOTE 10 - RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police & Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement 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 the years ended December 31, 2010 and 2009, OP&F members contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of their wages for police officers. For the years ended December 31, 2010 and 2009, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all required contributions under both plans as of December 31, 2010 and 2009.

NOTE 11 - RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides casualty and property insurance for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 11 - RISK MANAGEMENT - (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009 (the latest information available), PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claim 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 with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$ 36,374,898	\$ 35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net assets	<u>\$ 21,118,036</u>	<u>\$ 20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities noted above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2008	\$ 12,712
2009	11,695
2010	12,319

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 12 - CONTINGENT LIABILITIES

The Village is not currently involved in litigation.



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**Independent Accountants' 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***

Members of Council and Mayor
Village of Shawnee Hills
40 W. Reindeer Drive
Powell, Ohio 43065

We have audited the financial statements of the Village of Shawnee Hills, Delaware County, Ohio, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 11, 2011, wherein we noted the Village of Shawnee Hills followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Shawnee Hills' internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village of Shawnee Hills' internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village of Shawnee Hills' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village of Shawnee Hills' financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Members of Council and Mayor
Village of Shawnee Hills

Compliance and Other Matters

As part of reasonably assuring whether the Village of Shawnee Hills' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2010-VOSH-001.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 11, 2011

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2010-VOSH-001

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the clerk-treasurer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the clerk-treasurer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2010, the Village had appropriations greater than actual resources, in the following fund:

<u>Fund Type/Fund</u>	<u>Actual Resources</u>	<u>Appropriation</u>	<u>Excess</u>
<u>Capital Projects:</u>			
Other Capital Projects Fund	\$ 142,275	\$ 357,371	\$ 215,096

At December 31, 2009, the Village had appropriations greater than actual resources, in the following fund:

<u>Fund Type/Fund</u>	<u>Actual Resources</u>	<u>Appropriation</u>	<u>Excess</u>
<u>Capital Projects:</u>			
Other Capital Projects Fund	\$ 158,119	\$ 227,266	\$ 69,147

By appropriating more funds than actual resources, the Village is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the Village monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend their appropriations accordingly.

Client Response: The Village was anticipating numerous projects, and thus appropriated for them accordingly. The receipts expected were difficult to know until late in the year and therefore appropriations were not amended timely. Also, some projects were postponed until future years.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-VOSH-001	The Village's USDA mortgage revenue debt bond covenant requires the Village to maintain a Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund.	Yes	N/A
2008-VOSH-002	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	Yes	N/A
2008-VOSH-003	Ohio Revised Code Section 5705.36 requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.	Yes	N/A
2008-VOSH-004	Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.	Yes	N/A

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Dave Yost • Auditor of State

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
MAY 10, 2011**