



Dave Yost • Auditor of State



# OHIO AUDITOR OF STATE **KEITH FABER**



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

**This page intentionally left blank.**

**VILLAGE OF SHAWNEE  
PERRY COUNTY  
DECEMBER 31, 2017 AND 2016**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2017 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2017 .....	6
Notes to the Financial Statements - For the Year Ended December 31, 2017 .....	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2016 .....	15
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2016 .....	16
Notes to the Financial Statements - For the Year Ended December 31, 2016 .....	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25
Schedule of Findings.....	27

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Shawnee  
Perry County  
P.O. Box 15  
Shawnee, Ohio 43782

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Shawnee, Perry County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016. We were engaged to audit the financial statements of the Fiduciary Fund Type for the year ended December 31, 2016.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. Because of the matter described in the *Basis for Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting* paragraph, however, we were unable to obtain sufficient appropriate audit evidence to opine on the Fiduciary Fund Type for the year ended December 31, 2016.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Basis for Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting***

Fines, license and permit receipts are reported at \$2,625 for the year ended December 31, 2016, which is 100% of Fiduciary Fund receipts for the year ended December 31, 2016. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, license and permit receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting***

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting* paragraph, we were unable to obtain sufficient appropriate audit evidence to opine on the Fiduciary Fund Type of the Village of Shawnee, Perry County, Ohio, for the year ended December 31, 2016. Accordingly, we do not express an opinion on these financial statements.

***Basis for Qualification of Opinion on General Fund Fines, Licenses and Permits on the Regulatory Basis of Accounting***

Fines, licenses and permits are reported at \$150 for the year ended December 31, 2016 which is .2 percent of total General Fund receipts for the year ended December 31, 2016. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, licenses and permits. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.



***Qualification of Opinion on the General Fund Fines, Licenses and Permits on the Regulatory Basis of Accounting***

Also, in our opinion, except for the possible effects of the matter described in the *Basis for Qualification of Opinion on General Fund Fines, Licenses and Permits on the Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General Fund of the Village of Shawnee, Perry County, Ohio, as of December 31, 2016, for the year then ended in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1B.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Shawnee, Perry County, Ohio, as of December 31, 2017 for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1B. Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Special Revenue, Capital Projects, Permanent and Enterprise Funds of the Village of Shawnee, Perry County, Ohio, as of December 31, 2016 for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 9, 2019

**This page intentionally left blank.**

**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$35,051	\$46,213	\$10,005	\$0	\$91,269
Intergovernmental	29,280	41,143	1,331	0	71,754
Charges for Services	0	14,333	0	0	14,333
Fines, Licenses and Permits	115	0	0	0	115
Earnings on Investments	668	0	0	0	668
Miscellaneous	8,031	11	0	0	8,042
<i>Total Cash Receipts</i>	<u>73,145</u>	<u>101,700</u>	<u>11,336</u>	<u>0</u>	<u>186,181</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	40,807	43,892	0	0	84,699
Public Health Services	0	11,121	0	0	11,121
Transportation	447	19,487	0	0	19,934
General Government	50,768	1,000	0	0	51,768
Capital Outlay	0	9,000	0	0	9,000
<i>Total Cash Disbursements</i>	<u>92,022</u>	<u>84,500</u>	<u>0</u>	<u>0</u>	<u>176,522</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,877)</u>	<u>17,200</u>	<u>11,336</u>	<u>0</u>	<u>9,659</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Financing Sources	4,250	2,667	0	0	6,917
Other Financing Uses	(4,025)	0	0	0	(4,025)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>225</u>	<u>2,667</u>	<u>0</u>	<u>0</u>	<u>2,892</u>
<i>Net Change in Fund Cash Balances</i>					
<i>Fund Cash Balances, January 1</i>	<u>29,210</u>	<u>139,348</u>	<u>98,931</u>	<u>1,065</u>	<u>268,554</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	1,065	1,065
Restricted	0	159,215	110,267	0	269,482
Assigned	10,558	0	0	0	10,558
<i>Fund Cash Balances, December 31</i>	<u>\$10,558</u>	<u>\$159,215</u>	<u>\$110,267</u>	<u>\$1,065</u>	<u>\$281,105</u>

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

**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$241,625	\$0	\$241,625
Fines, Licenses and Permits	0	0	0
<i>Total Operating Cash Receipts</i>	<u>241,625</u>	<u>0</u>	<u>241,625</u>
<b>Operating Cash Disbursements</b>			
Personal Services	13,395	0	13,395
Fringe Benefits	1,057	0	1,057
Contractual Services	136,859	0	136,859
Supplies and Materials	17,557	0	17,557
Other	7,628	0	7,628
<i>Total Operating Cash Disbursements</i>	<u>176,496</u>	<u>0</u>	<u>176,496</u>
<i>Operating Income</i>	<u>65,129</u>	<u>0</u>	<u>65,129</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Principal Retirement	(28,035)	0	(28,035)
Interest and Other Fiscal Charges	(45,503)	0	(45,503)
Loans Issued	22,553	0	22,553
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(50,985)</u>	<u>0</u>	<u>(50,985)</u>
<i>Net Change in Fund Cash Balances</i>	14,144	0	14,144
<i>Fund Cash Balances, January 1</i>	<u>164,171</u>	<u>2,625</u>	<u>166,796</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$178,315</u></u>	<u><u>\$2,625</u></u>	<u><u>\$180,940</u></u>

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

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of Shawnee, Perry County (the Village), is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides general governmental services, street maintenance, cemetery maintenance, police and fire protection, emergency medical services and water and sewer services for its citizens.

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**

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

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

**C. CASH**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. FUND ACCOUNTING**

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of the governmental entities in which legal or 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 Funds Types:**

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

**Special Revenue Funds:** These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue Funds:

**STREET FUND** – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**DRUG LAW ENFORCEMENT** – This fund receives levy money for the operation of the police department within the Village.

**FIRE FUND** – This fund receives money from three surrounding townships to provide fire protection services.

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2017**

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

Capital Projects Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

OTHER CAPITAL PROJECTS FUND - This fund accounts for money from grants and donations which are restricted for fire department equipment.

Permanent Fund: This fund accounts for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

NONEXPENDABLE TRUST FUND - The nonexpendable trust fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose. The Village has the following significant Enterprise Funds:

SEWER FUND – This fund receives loans and grants for the planning construction of a wastewater collection system as well as user fees from residents for the operation of the system.

WATER FUND – This fund receives loans and grants for the planning construction of a water distribution system as well as user fees for the operation of the system.

**E. BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Village of Council, and 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.

**1. Estimated Resources**

The county auditor calculates the estimated revenues available to the Village. The Auditor prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Fiscal Officer by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

2. 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. A permanent 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.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio Law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources.

1. Nonspendable – The Village classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.
2. Restricted – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
3. Committed – The Village Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council.
5. Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

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

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 deposits and investments at December 31, 2017 was as follows:

	<u>2017</u>
Demand Deposits	\$429,607
Certificate of Deposit	<u>32,438</u>
Total Deposits	<u>\$462,045</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. Real property taxes become a lien on all non-exempt real property located in the county on January 1. The State Board of Tax Equalization adjusts tax rates for inflation. 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.

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

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

4. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. 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 prescribed by the Ohio Revised Code. For 2017 OPERS members contributed 10% of their gross pay while the Village contributed an amount equal to 14% of covered payroll. The Village paid all required contributions through 2017.

B. Social Security

Village's Council Members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.



**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2017**

**5. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits.

**6. RISK MANAGEMENT**

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

Risk Pool Membership

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. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2017, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2017.

Assets	\$1,091,882
Liabilities	<u>(757,765)</u>
Accumulated Surplus	<u>\$ 334,117</u>

**7. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	2017 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$91,745	\$77,395	(\$14,350)
Special Revenue	101,180	104,367	3,187
Capital Projects	10,100	11,336	1,236
Enterprise	323,100	264,178	(58,922)
Total	<u>\$526,125</u>	<u>\$457,276</u>	<u>(\$68,849)</u>

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2017**

7. BUDGETARY ACTIVITY (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,067	\$96,784	\$283
Special Revenue	81,890	85,666	(3,776)
Capital Projects	5,001	0	5,001
Enterprise	286,657	250,514	36,143
Total	\$470,615	\$432,964	\$37,651

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the, Fire Levy Fund by \$8,046 and Water Fund by \$7,772 for the year ended December 31, 2017.

8. DEBT

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CT48Q	\$13,193	0.00%
Ohio Public Works Commission Loan #CT963	8,450	0.00%
Ohio Water Development Authority Loan #4355	34,345	1.00%
Ohio Water Development Authority Loan #5271	56,424	0.00%
Ohio Water Development Authority Loan #5847	45,982	1.50%
Ohio Water Development Authority Loan #6470	30,146	2.00%
United States Department of Agriculture Loan	977,000	4.38%
Total	\$1,165,540	

The Ohio Public Works Commission, Ohio Water Development Authority and the United States Department of Agricultural loans relate to the Environmental Protection Agency mandated water and sewer construction projects. Water and sewer receipts collateralize these loans.

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

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2017**

8. DEBT (Continued)

Year Ending December 31:	OPWC #CT48Q	OPWC #CT963	OWDA #4355	OWDA #5271
2018	\$498	\$4,225	\$4,478	\$2,508
2019	498	4,225	4,478	2,508
2020	498	0	4,478	2,508
2021	498	0	4,478	2,508
2022	498	0	4,478	2,508
2023-2027	2,490	0	13,434	12,540
2028-2032	2,490	0	0	12,540
2033-2037	2,490	0	0	12,540
2038-2042	2,490	0	0	6,264
2043-2044	743	0	0	0
Total	<u>\$13,193</u>	<u>\$8,450</u>	<u>\$35,824</u>	<u>\$56,424</u>

Year Ending December 31:	OWDA #5847	OWDA #6470	USDA
2018	\$2,329	\$0	\$62,744
2019	2,329	2,050	62,869
2020	2,329	2,050	61,950
2021	2,329	2,050	62,031
2022	2,329	2,050	63,069
2023-2027	11,645	10,250	311,331
2028-2032	11,645	10,250	312,613
2033-2037	11,645	10,250	312,281

**This page intentionally left blank.**

**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$37,955	\$49,807	\$10,608	\$0	\$98,370
Intergovernmental	31,463	44,403	1,764	0	77,630
Charges for Services	0	11,855	0	0	11,855
Fines, Licenses and Permits	150	190	0	0	340
Earnings on Investments	433	0	0	0	433
Miscellaneous	23,102	0	0	0	23,102
<i>Total Cash Receipts</i>	<u>93,103</u>	<u>106,255</u>	<u>12,372</u>	<u>0</u>	<u>211,730</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	33,962	25,205	0	0	59,167
Public Health Services	0	14,858	0	0	14,858
Leisure Time Activities	2,347	0	0	0	2,347
Transportation	94	20,460	0	0	20,554
General Government	47,373	1,000	0	0	48,373
Capital Outlay	7,100	13,275	0	0	20,375
<i>Total Cash Disbursements</i>	<u>90,876</u>	<u>74,798</u>	<u>0</u>	<u>0</u>	<u>165,674</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,227</u>	<u>31,457</u>	<u>12,372</u>	<u>0</u>	<u>46,056</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Financing Sources	1,591	2,559	0	0	4,150
Other Financing Uses	(1,100)	0	0	0	(1,100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>491</u>	<u>2,559</u>	<u>0</u>	<u>0</u>	<u>3,050</u>
<i>Net Change in Fund Cash Balances</i>	2,718	34,016	12,372	0	49,106
<i>Fund Cash Balances, January 1</i>	<u>26,492</u>	<u>105,332</u>	<u>86,559</u>	<u>1,065</u>	<u>219,448</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	1,065	1,065
Restricted	0	139,348	98,931	0	238,279
Unassigned (Deficit)	29,210	0	0	0	29,210
<i>Fund Cash Balances, December 31</i>	<u>\$29,210</u>	<u>\$139,348</u>	<u>\$98,931</u>	<u>\$1,065</u>	<u>\$268,554</u>

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

**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$226,814	\$0	\$226,814
Fines, Licenses and Permits	0	2,625	2,625
<i>Total Operating Cash Receipts</i>	<u>226,814</u>	<u>2,625</u>	<u>229,439</u>
<b>Operating Cash Disbursements</b>			
Personal Services	29,663	0	29,663
Fringe Benefits	1,943	0	1,943
Contractual Services	109,794	0	109,794
Supplies and Materials	17,742	0	17,742
Other	9,769	0	9,769
<i>Total Operating Cash Disbursements</i>	<u>168,911</u>	<u>0</u>	<u>168,911</u>
<i>Operating Income (Loss)</i>	<u>57,903</u>	<u>2,625</u>	<u>60,528</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	900	0	900
Principal Retirement	(32,495)	0	(32,495)
Interest and Other Fiscal Charges	(46,693)	0	(46,693)
Other Financing Sources	750	0	750
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(77,538)</u>	<u>0</u>	<u>(77,538)</u>
<i>Net Change in Fund Cash Balances</i>	(19,635)	2,625	(17,010)
<i>Fund Cash Balances, January 1</i>	<u>183,806</u>	<u>0</u>	<u>183,806</u>
<i>Fund Cash Balances, December 31</i>	<u>\$164,171</u>	<u>\$2,625</u>	<u>\$166,796</u>

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

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of Shawnee, Perry County, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides general governmental services, street maintenance, cemetery maintenance, police and fire protection, emergency medical services and water and sewer services for its citizens.

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**

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

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

**C. CASH**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. FUND ACCOUNTING**

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of the governmental entities in which legal or 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 Funds Types:**

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

**Special Revenue Funds:** These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue Funds:

**STREET FUND** – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village Streets.

**DRUG LAW ENFORCEMENT FUND** – This fund receives levy money for the operation of the police department within the Village.

**FIRE FUND** – This fund receives money from three surrounding townships to provide fire protection services.

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

OTHER CAPITAL PROJECTS FUND - This fund accounts for money from grants and donations which are restricted for fire department equipment.

Permanent Fund: This funds accounts for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

NONEXPENDABLE TRUST FUND - The nonexpendable trust fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose. The Village has the following significant Enterprise Funds:

SEWER FUND – This fund receives loans and grants for the planning construction of a wastewater collection system as well as user fees from residents for the operation of the system.

WATER FUND – This fund receives loans and grants for the planning construction of a water distribution system as well as user fees for the operation of the system.

**E. BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Village of Council, and 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.

**1. Estimated Resources**

The county auditor calculates the estimated revenues available to the Village. The Auditor prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Fiscal Officer by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.



**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

2. 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. A permanent 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.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio Law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources.

1. Nonspendable – The Village classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.
2. Restricted – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
3. Committed – The Village Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council.
5. Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

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

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 deposits and investments at December 31, 2016 was as follows:

	<u>2016</u>
Demand Deposits	\$402,944
Certificate of Deposit	<u>32,406</u>
Total Deposits	<u>\$435,350</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. Real property taxes become a lien on all non-exempt real property located in the county on January 1.

The State Board of Tax Equalization adjusts tax rates for inflation. 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.

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

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

4. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. 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 prescribed by the Ohio Revised Code. For 2016, OPERS members contributed 10% of their gross pay while the Village contributed an amount equal to 14% of covered payroll. The Village paid all required contributions through 2016.

B. Social Security

The Village's Council Members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2016**

**5. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**6. RISK MANAGEMENT**

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

Risk Pool Membership

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. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2016, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2016.

Assets	\$1,272,799
Liabilities	<u>(821,016)</u>
Accumulated Surplus	<u>\$451,783</u>

**7. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,625	\$94,694	(\$3,931)
Special Revenue	72,760	108,814	36,054
Capital Projects	10,100	12,372	2,272
Enterprise	323,100	228,464	(94,636)
Total	\$504,585	\$444,344	(\$60,241)

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2016**

7. BUDGETARY ACTIVITY (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$108,259	\$93,628	\$14,631
Special Revenue	77,316	76,433	883
Capital Projects	5,001	0	5,001
Enterprise	343,919	248,636	95,283
Total	\$534,495	\$418,697	\$115,798

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the, Drug Law Enforcement Fund by \$8,187 and the Fire Levy Fund by \$909 for the year ended December 31, 2016.

8. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CT48Q	\$13,442	0.00%
Ohio Public Works Commission Loan #CT963	10,563	0.00%
Ohio Water Development Authority Loan #4355	38,448	1.00%
Ohio Water Development Authority Loan #5271	58,932	0.00%
Ohio Water Development Authority Loan #5847	47,603	1.50%
Ohio Water Development Authority Loan #6470	35,431	2.00%
United States Department of Agriculture Loan	996,000	4.38%
Total	\$1,200,419	

The Ohio Public Works Commission, Ohio Water Development Authority and the United States Department of Agricultural loans relate to the Environmental Protection Agency mandated water and sewer construction projects. Water and sewer receipts collateralize these loans.

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

**VILLAGE OF SHAWNEE  
PERRY COUNTY, OHIO  
Notes to Financial Statements  
For the Year Ended December 31, 2016**

8. DEBT (Continued)

Year Ending December 31:	OPWC #CT48Q	OPWC #CT963	OWDA #4355	OWDA #5271
2017	\$498	\$4,225	\$4,478	\$2,508
2018	498	4,225	4,478	2,508
2019	498	2,113	4,478	2,508
2020	498	0	4,478	2,508
2021	498	0	4,478	2,508
2022-2026	2,490	0	17,912	12,540
2027-2031	2,490	0	0	12,540
2032-2036	2,490	0	0	12,540
2037-2041	2,490	0	0	8,772
2042-2044	992	0	0	0
Total	<u>\$13,442</u>	<u>\$10,563</u>	<u>\$40,302</u>	<u>\$58,932</u>

Year Ending December 31:	OWDA #5847	OWDA #6470	USDA
2017	\$2,329	\$0	\$62,575
2018	2,329	0	62,744
2019	2,329	2,050	62,869
2020	2,329	2,050	61,950
2021	2,329	2,050	62,031
2022-2026	11,645	10,250	310,844
2027-2031	11,645	10,250	312,525
2032-2036	11,645	10,250	312,856
2037-2041	10,481	10,250	311,219
2042-2044	0	1,025	187,269
2045-2049	0	0	0
Total	<u>\$57,061</u>	<u>\$48,175</u>	<u>\$1,746,882</u>

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Shawnee  
Perry County  
P.O. Box 15  
Shawnee, Ohio 43782

To the Village Council:

We have audited the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Shawnee, Perry County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion on the General Fund for the year ended December 31, 2016 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, licenses and permit receipts. We were engaged to audit the Fiduciary Fund Type for the year ended December 31, 2016. We did not opine on the Fiduciary Fund Type for the year ended December 31, 2016 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, licenses and permit receipts.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2017-001 through 2017-006 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2017-001 and 2017-003.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 9, 2019



**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Furthermore, Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Also, *C. B. Transportation, Inc. v. Butler County Board of Mental Retardations*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979), as well as *Burkholder v. Lauber*, 6 Ohio Misc. 152 (1965), held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. In addition, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

Village Council adopted temporary appropriations for each year; however, the Village failed to formally adopt permanent appropriations as required. In addition, Village Council delegated the Fiscal Officer to make supplemental appropriations throughout the year in each fund as necessary.

Additionally, for 2017, we noted expenditures plus outstanding encumbrances exceeded appropriations in the Fire Levy and Water Funds by \$8,046 and \$7,772, respectively. For 2016, we noted expenditures plus outstanding encumbrances exceeded appropriations in the Drug Law Enforcement and Fire Levy Funds by \$8,187 and \$909, respectively.

The failure to properly follow the requirements of Ohio Rev. Code Chapter 5705, including the approval of Village appropriations and subsequent amendments, could result in monies being spent on purposes other than those intended by Village Council and deficit fund cash balances.

Each year, the Village should adopt a permanent annual appropriation measure to meet the ordinary expenses of the Village. The approval of permanent appropriations should also be documented within the Village's minutes. Any subsequent amendments or supplemental appropriations should be approved by Village Council. In addition, the Village Fiscal Officer should file the approved appropriation measure with the County Budget Commission. Subsequent expenditures should be limited to these legally adopted appropriations.

**FINDING NUMBER 2017-002**

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-002 (Continued)**

**Material Weakness (Continued)**

The appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending; it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available; it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations and/or amendments thereof approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources and/or amendments thereof were not properly posted to the accounting system.

At December 31, 2017, estimated resources approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts Per Last Amended Certificate	Budgeted Receipts Per the UAN Accounting System	Variance
Drug Law Enforcement	\$500	\$18,500	\$18,000
Fire Levy	23,300	37,500	14,200

At December 31, 2017, appropriations approved by Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations per Appropriation Resolution	Final Appropriations Per the UAN Accounting System	Variance
General Fund	\$95,415	\$100,415	\$5,000
Fire Levy	23,290	33,290	10,000
Water Fund	121,420	164,681	43,261

At December 31, 2016, estimated resources approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts Per Last Amended Certificate	Budgeted Receipts Per the UAN Accounting System	Variance
General Fund	\$91,745	\$103,625	\$11,880
Street Construction Main. & Repair	25,660	26,200	540
Cemetery	13,865	13,500	(365)
Fire Levy	33,740	33,300	(440)
EMS Levy	5,995	6,300	305
Water Fund	121,500	144,053	22,553

**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-002 (Continued)**

**Material Weakness (Continued)**

At December 31, 2016, appropriations approved by the Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations per Appropriation Resolution	Final Appropriations Per the UAN Accounting System	Variance
General Fund	\$107,565	\$111,065	\$3,500
Drug Law Enforcement	200	16,520	16,320
Fire Levy	30,701	44,901	14,200

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**FINDING NUMBER 2017-003**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 149.43(B)(1) states, in part, that upon request, all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours.

Additionally, management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. Furthermore, the Village should maintain an accounting system and accounting records sufficient to assure that recorded transactions have occurred and are not fictitious.

The Village operated a Mayor's Court during 2016; however, the Village was unable to provide sufficient appropriate documentation for the activities of the Court, including, but not limited to, a court docket, cash book, a complete set of receipts, and adequate documentation to support fines written off. In addition, although the court ceased operations in September 2016, the Court still maintained a bank balance of \$2,625 throughout the audit period.

Failure to maintain the appropriate supporting documentation related to Mayor's Court, such as a docket, case files, pre-numbered tickets, and receipts, could allow errors or irregularities to occur and remain undetected. In addition, this resulted in sufficient appropriate audit evidence being unavailable to support an unmodified opinion on the financial statements for the Village's Agency Fund for 2016.

**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2017-003 (Continued)**

**Noncompliance and Material Weakness (Continued)**

Supporting documentation should be maintained by the Mayor's Court Clerk for all court cases and receipts in accordance with record retention policies. In addition, the Village should review the available Mayor's Court records and consult with legal counsel and determine the appropriate agencies to which the remaining bank account balance should be distributed and distribute these balances accordingly.

**FINDING NUMBER 2017-004**

**Material Weakness**

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. In addition, a well-designed system of internal control will include monitoring of financial reports and information by management in order to compensate for any lack of segregation of duties. This should include the approval of all adjustments posted to the utility billing system and review of utility reports by management for the posting of unauthorized adjustments.

We noted utility adjustments were not consistently approved the Village Council or Village Administrator. We noted 29 unauthorized adjustments posted to customer accounts in the billing system by the Utility Clerk in 2016, ranging from \$2 to \$1,074 and totaling \$3,586, and 40 unauthorized adjustments posted to customer accounts in the billing system by the Utility Clerk in 2017, ranging from \$6 to \$4,530 and totaling \$12,351.

We also noted the Village was charging \$23.25 as base rate for 0 to 2,000 gallons and sewer at \$35.75 as base rate for 0 to 2,000 gallons instead of the Council approved rates of \$23.50 and \$35.00, respectively during 2016 and 2017 due to an error in entering base amounts into the Utility System.

In addition, we noted the following records to support the Village's utility billings and collections were not available or provided for audit:

- Utility billing stubs for 2017 or 2016.
- A transaction summary report for September and November 2017 was not maintained.
- A meter reading report and posted payments ledger for July 2016 was not maintained.
- Notations on meter reading reports for usage errors for 1 month in 2017 and 4 months in 2016.

These deficiencies required alternative audit procedures to be performed in order to obtain the required assurances over receipts reported as Charges for Services in the Village's Enterprise Funds for 2017 and 2016.

Failure to maintain sufficient appropriate audit evidence to ensure the completeness of receipts could result in errors or irregularities to occur and remain undetected. Furthermore, the failure to have a member of Village management approve adjustments to customer utility accounts and the failure of Village management to review utility reports for evidence of unauthorized adjustments could result in fictitious adjustments being made to the system and remaining undetected.

VILLAGE OF SHAWNEE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-004 (Continued)

**Material Weakness**

The Village should develop and implement a formal policy regarding utility adjustments made to customer accounts. The policy should require all adjustments to be approved by the Village Administrator prior to being posted to the billing system. In addition, the policy should require the Village Administrator to review billing reports on a periodic basis for evidence of unauthorized adjustments posted to the system. These reviews should be documented on the appropriate reports and maintained on file as evidence that this review has been performed.

Furthermore, utility records and reports should be reviewed on a periodic basis to ensure the appropriate rates are being charged to customers and a complete set of records are being maintained. Billing stubs should be marked "Paid" when monies are received, reconciled to bank deposits and maintained as evidence of the monies collected.

FINDING NUMBER 2017-005

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

For 2017, the Village classified certain significant transactions incorrectly as follows:

- General Fund receipts, totaling \$6,171, were improperly classified as Property Taxes rather than Intergovernmental.
- Law Enforcement Trust Fund receipts, totaling \$10,170, were improperly classified as Other Financing Sources rather than Intergovernmental.
- Special Revenue Fund receipts, totaling \$532, \$2,272, \$1,597, \$951 and \$942, were improperly classified as Property Taxes rather than Intergovernmental in the Street Construction, Maintenance & Repair, Cemetery, Drug Law Enforcement, Fire Levy and EMS Levy Funds, respectively.
- Other Capital Projects Fund receipts, totaling \$1,331, were improperly classified as Property Taxes rather than Intergovernmental.
- A portion of the General Fund balance, representing a budgetary resource for subsequent year appropriations, totaling \$10,558, was classified as Unassigned rather than Assigned fund balance.

**VILLAGE OF SHAWNEE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2017-005 (Continued)**

**Material Weakness (Continued)**

- The Permanent Fund balance, representing amounts that must remain intact, of \$1,065 was classified as Restricted rather than Nonspendable fund balance.
- Fire Levy disbursements, totaling \$9,000, was improperly classified as Other Financing Uses rather than Capital Outlay.

For 2016, the Village classified certain significant transactions incorrectly as follows:

- General Fund receipts, totaling \$4,228, were improperly classified as Other Financing Sources rather than Miscellaneous.
- General Fund receipts, totaling \$11,572, were improperly classified as Property Taxes rather than Intergovernmental.
- Special Revenue Fund receipts, totaling \$673, \$2,611, \$795, \$1,229 and \$1,082, were improperly classified as Property Taxes rather than Intergovernmental in the Street Construction, Maintenance & Repair, Cemetery, Drug Law Enforcement, Fire Levy and EMS Levy Funds, respectively.
- Law Enforcement Trust Fund receipts, totaling \$9,820, were improperly classified as Other Financing Sources rather than Intergovernmental.
- Other Capital Projects Fund receipts, totaling \$1,764, were improperly classified as Property Taxes rather than Intergovernmental.
- General Fund disbursements, totaling \$9,447, were posted as Other Financing Uses rather than Capital Outlay and Leisure Time Activities, in the amounts of \$7,100 and \$2,347, respectively.
- Fire Levy disbursements, totaling \$13,275, was improperly classified as Other Financing Uses rather than Capital Outlay.
- The Permanent Fund balance, representing amounts that must remain intact, of \$1,065 was classified as Restricted rather than Nonspendable fund balance.

Audit adjustments, with which management has agreed, are reflected in the accompanying financial statements. In addition to the adjustments listed above, we also identified additional unadjusted differences ranging from \$713 to \$5,285 that we have brought to the Village's attention.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Village's financial information.

The Fiscal Officer should refer to the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements.

VILLAGE OF SHAWNEE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-006

**Material Weakness**

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small size of the Village's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed roles in all accounting functions, including receipting, depositing, disbursing, and reconciling. In addition, the Fiscal Officer also served as the Utility Clerk and was responsible for all functions, including billing, receipting, depositing, reconciling, and approval of adjustments. It is therefore important for the Village Council to monitor financial activity closely and to follow up on any audit findings.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citations and material weaknesses included in our report. The small size of the Village's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed roles in all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies. In addition, the Fiscal Officer also served as the Utility Clerk and was responsible for all utility accounting functions, including billing, receipting, depositing, reconciling, and approval of adjustments.

Failure to adequately monitor the activities of the Village by Village Council and the Village Administrator could result in errors or irregularities to occur and remain undetected.

The Village Council and Village Administrator should become more actively involved in monitoring the financial activity of the Village. Village Council should ensure that the Fiscal Officer performs a monthly bank reconciliation. Village Council should then review the validity of the computations and reconciling items and attest to the reconciliation's accuracy. Village Council should also ensure the Fiscal Officer maintains and presents to Council monthly with following records: receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Utility duties including the receipt of cash, depositing and posting activity to the billing system should be appropriately segregated and all adjustments to utility accounts should require approval. Supervisory reviews should be performed by members of Village Council and the Village Administrator and evidenced by the initials of each member performing the review and the date of the review was performed.

The presentation of these records and reviews by Village Council should be noted in the minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations occur, is the reason documented, and properly budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

**Officials' Response:** We did not receive a response from Officials to the above findings.

**This page intentionally left blank.**



# OHIO AUDITOR OF STATE KEITH FABER



**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  
JANUARY 24, 2019**