

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY
Regular Audit
December 31, 2005 and 2004**



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Fort Shawnee
2050 W. Breese Road
Lima, Ohio 45806

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

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the AOS 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the AOS 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 Fort Shawnee is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 10, 2007

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ALLEN COUNTY
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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

November 22, 2006

Village of Fort Shawnee
Allen County
2050 West Breese Road
Fort Shawnee, OH 45806

To the Honorable Mayor and Members of Village Council:

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

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004 or their changes in financial position for the year 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 Fort Shawnee, Allen County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Government 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 November 22, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Respectfully Submitted

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$65,752	\$49,263		\$41,081	\$156,096
Intergovernmental	151,855	287,689		4,060	443,604
Special Assessments			8,699		8,699
Fines, Licenses, and Permits	\$49,403	\$4,750			54,153
Earnings on Investments	7,222	2,345		44	9,611
Miscellaneous Revenue	5,340	6,018			11,358
Total Cash Receipts	<u>279,572</u>	<u>350,065</u>	<u>8,699</u>	<u>45,185</u>	<u>683,521</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	180,646	108,724			289,370
Public Health Services	13,842				13,842
Leisure Time Activities	1,202	3,684			4,886
Community Environment	3,285				3,285
Transportation		169,592			169,592
General Government	133,430	2,372	203	720	136,725
Debt Service:					
Redemption of Principal			6,000		6,000
Interest and Fiscal Charges			2,584		2,584
Capital Outlay	52,000	46,298		45,540	143,838
Total Cash Disbursements	<u>384,405</u>	<u>330,670</u>	<u>8,787</u>	<u>46,260</u>	<u>770,122</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(104,833)</u>	<u>19,395</u>	<u>(88)</u>	<u>(1,075)</u>	<u>(86,601)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	3,074	44,138			47,212
Transfers-Out	(5,221)	(41,991)			(47,212)
Other Sources	18,613				18,613
Total Other Financing Receipts/(Disbursements)	<u>16,466</u>	<u>2,147</u>	<u>0</u>	<u>0</u>	<u>18,613</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(88,367)	21,542	(88)	(1,075)	(67,988)
Fund Cash Balances, January 1	214,810	154,005	5,003	3,573	377,391
Fund Cash Balances, December 31	<u>\$126,443</u>	<u>\$175,547</u>	<u>\$4,915</u>	<u>\$2,498</u>	<u>\$309,403</u>

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

VILLAGE OF FORT SHAWNEE
ALLEN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Other Financing Sources (Uses):	
Other Financing Sources	80,956
Other Financing Uses	(80,677)
Net Receipts Over/(Under) Disbursements	279
Fund Cash Balances, January 1	<u>0</u>
Fund Cash Balances, December 31	<u><u>\$279</u></u>

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

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$64,950	\$51,133		\$40,472	\$156,555
Intergovernmental	138,269	218,951		4,602	361,822
Special Assessments			8,286		8,286
Fines, Licenses, and Permits	\$32,348	\$2,048			34,396
Earnings on Investments	3,293	1,177		\$319	4,789
Miscellaneous Revenue	2,111	974			3,085
Total Cash Receipts	<u>240,971</u>	<u>274,283</u>	<u>8,286</u>	<u>45,393</u>	<u>568,933</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	158,606	102,160			260,766
Public Health Services	13,613				13,613
Leisure Time Activities	1,273	4,000			5,273
Community Environment	2,664				2,664
Transportation		127,589			127,589
General Government	106,418	3,476	174	730	110,798
Debt Service:					
Redemption of Principal			5,000		5,000
Interest and Fiscal Charges			2,964		2,964
Capital Outlay	31,335	15,879		46,779	93,993
Total Cash Disbursements	<u>313,909</u>	<u>253,104</u>	<u>8,138</u>	<u>47,509</u>	<u>622,660</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(72,938)</u>	<u>21,179</u>	<u>148</u>	<u>(2,116)</u>	<u>(53,727)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		1,738			1,738
Transfers-Out	(1,738)				(1,738)
Other Sources	19,243				19,243
Other Uses		(2,066)			(2,066)
Total Other Financing Receipts/(Disbursements)	<u>17,505</u>	<u>(328)</u>	<u>0</u>	<u>0</u>	<u>17,177</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(55,433)</u>	<u>20,851</u>	<u>148</u>	<u>(2,116)</u>	<u>(36,550)</u>
Fund Cash Balances, January 1	<u>270,243</u>	<u>133,154</u>	<u>4,855</u>	<u>5,689</u>	<u>413,941</u>
Fund Cash Balances, December 31	<u><u>\$214,810</u></u>	<u><u>\$154,005</u></u>	<u><u>\$5,003</u></u>	<u><u>\$3,573</u></u>	<u><u>\$377,391</u></u>

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

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Other Financing Sources (Uses):	
Other Financing Sources	72,405
Other Financing Uses	(73,315)
Net Receipts Over/(Under) Disbursements	(910)
Fund Cash Balances, January 1	<u>910</u>
Fund Cash Balances, December 31	<u><u>\$0</u></u>

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

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fort Shawnee, Allen County, (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 operates under a charter form of government. The Charter established the legislative powers to be vested in a council of seven members to be elected at large by the voters, for four-year terms. The fiscal officer (Finance Director) is appointed by the Council.

The Village provides general governmental services, park operations (leisure time activities), and police services. Shawnee Township provides fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are included in 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.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Contract Police Fund- This fund receives money collected by a tax levy from Shawnee Township for a police protection agreement.

COPS Levy Fund- This fund receives money collected by a voted tax levy to provide police protection in the Village.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtednesses. The village had the following Debt Service Fund:

Bond Retirement Fund - Used for the accumulation of resources for retirement of a 1989 waterline improvement bond issue.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvements Fund - This fund receives monies from a tax levy specifically for the upkeep of roads and streets.

Issue Two Fund - This fund receives monies from a state project pool specifically for the upkeep of specified Village infrastructure.

5. Fiduciary Funds (Agency Funds)

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

Water Collection Fund - The City of Lima collects and forwards to the Village the charges collected for the water used by Village residents. In turn, the Village remits to the City of Lima, the charges which have been collected.

Mayor's Court - This fund receives and disburses fines and court costs collected by the Mayor's Court. At year end the Mayor's Court is appended to and reported within the financial statements.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$96,269	\$101,801
Total deposits	96,269	101,801
 STAR Ohio	 213,413	 275,590
Total investments	213,413	275,590
Total deposits and investments	\$309,682	\$377,391

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$233,390	\$301,259	\$67,869
Special Revenue	263,420	394,203	130,783
Debt Service	7,950	8,699	749
Capital Projects	48,240	45,185	(3,055)
Agency	96,500	80,956	(15,544)
Total	<u>\$649,500</u>	<u>\$830,302</u>	<u>\$180,802</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$448,200	\$389,626	\$58,574
Special Revenue	414,584	372,661	41,923
Debt Service	12,953	8,787	4,166
Capital Projects	51,813	46,260	5,553
Agency	96,500	80,677	15,823
Total	<u>\$1,024,050</u>	<u>\$898,011</u>	<u>\$126,039</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,489	\$260,214	\$19,725
Special Revenue	264,255	276,021	11,766
Debt Service	8,000	8,286	286
Capital Projects	49,000	45,393	(3,607)
Agency	92,100	72,405	(19,695)
Total	<u>\$653,844</u>	<u>\$662,319</u>	<u>\$8,475</u>

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$510,732	\$315,647	\$195,085
Special Revenue	403,220	255,170	148,050
Debt Service	12,855	8,138	4,717
Capital Projects	54,689	47,509	7,180
Agency	93,010	73,315	19,695
Total	\$1,074,506	\$699,779	\$374,727

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 53% of expenditures tested during 2005 and 33% of expenditures testing during 2004.

4. PROPERTY TAXES

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. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property taxes are assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Water Line Construction Bond	\$ 28,000	7.60%

The Water Line Construction Bonds were issued for the purpose of constructing a water line connecting the exiting City of Lima water line to the water distribution system in the Highland Green subdivision. The bonds will be redeemed through the proceeds of special assessments levied against the benefited property owners. The bonds are to be retired on a serial basis through 2009.

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

Year Ending December 31:	Water Line Construction Bond
2006	\$8,128
2007	\$8,672
2008	\$8,140
2009	\$8,608
Total	\$33,548

6. CONDUIT DEBT

During the year 2000, the Village issued health care facilities revenue bonds in the amount of \$7,000,000, to provide financial assistance to the Lima Memorial Hospital Project for the acquisition, construction, renovating, and equipping of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying loan or lease and the trust agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to Lima Memorial Hospital.

The Village is not obligated in any way to pay the debt and related charges on revenue bonds from any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time 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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

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

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate year. Governments can elect additional coverage from \$2,000,000 with General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Beginning in 2005, Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Village. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. Risk Management (continued)

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, 2005:

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

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

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

9. CONTINGENT LIABILITIES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Perry & Associates
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

November 22, 2006

Village of Fort Shawnee
Allen County
2050 West Breese Road
Fort Shawnee, OH 45806

To the Honorable Mayor and Members of Village Council:

We have audited the financial statements of the Village of Fort Shawnee, Allen County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 22, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Village's management dated November 22, 2006, we reported other matters involving internal control over financial reporting that do not require inclusion in this report.

Village of Fort Shawnee
Allen County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001. In a separate letter to the Village's management dated November 22, 2006, we reported other matters related to noncompliance we deemed immaterial. This report is intended solely for the information and use of the audit committee, management, and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-001 (Continued)

Ohio Revised Code § 5705.41(D)(1) (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 53% of the expenditures tested during 2005 and 33% of the expenditures tested during 2004 and there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – Management chose to not respond.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC Sec. 5705.41 (D) – Not Properly Encumbering Funds	No	Repeat as Finding 2005-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF FORT SHAWNEE

ALLEN 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 25, 2007**