

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

*Financial Statements*  
*(Audited)*

For The Years Ended  
December 31, 2004 and 2003

**JEFF PEARSON, FISCAL OFFICER**





# Mary Taylor, CPA

Auditor of State

Members of Council and Mayor  
Village of Shawnee Hills  
40 West Reindeer Drive  
Shawnee Hills, Ohio 43065

We have reviewed the *Independent Accountant's Report* of the Village of Shawnee Hills, Delaware County, prepared by Julian and Grube, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 8, 2007

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

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### **Independent Accountant's Report**

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

We have audited the accompanying financial statements of the Village of Shawnee Hills, Delaware County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village of Shawnee Hills' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 2, the Village of Shawnee Hills 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.

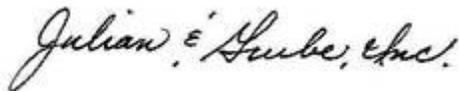
Revisions to GAAP would require the Village of Shawnee Hills to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village of Shawnee Hills does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Shawnee Hills has elected not to reformat its statements. Since this Village of Shawnee Hills 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Shawnee Hills as of December 31, 2004 and 2003, or its changes in financial position for the Village of Shawnee Hills as of December 31, 2004, or its 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 cash fund balances of the Village of Shawnee Hills, Delaware County, Ohio as of December 31, 2004 and 2003 and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village of Shawnee Hills to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village of Shawnee Hills has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part, of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2006, on our consideration of the Village of Shawnee Hills'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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
January 16, 2006

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

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2004 AND 2003

<u>Cash and Cash Equivalents</u>	2004	2003
Cash and Cash Equivalents	\$ 344,384	\$ 187,615
Total Cash and Cash Equivalents	\$ 344,384	\$ 187,615
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 112,299	\$ 23,055
Special Revenue	120,148	124,346
Debt Service	21,257	20,154
Total Governmental Funds	253,704	167,555
<u>Proprietary Fund Type:</u>		
Enterprise	88,552	17,717
<u>Fiduciary Fund Type:</u>		
Agency	2,128	2,343
Total Fiduciary Funds	2,128	2,343
Total Fund Balances	\$ 344,384	\$ 187,615

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

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

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Local taxes	\$ 272,808	\$ -	\$ -	\$ 272,808
Intergovernmental	50,733	37,352	-	88,085
Special assessments	-	171,656	980	172,636
Charges for services	-	-	93,493	93,493
Fines, licenses, and permits	34,232	716	-	34,948
Interest	1,450	489	10	1,949
Miscellaneous	7,290	6,000	-	13,290
Total cash receipts	<u>366,513</u>	<u>216,213</u>	<u>94,483</u>	<u>677,209</u>
Cash disbursements:				
Current:				
Security of persons and property	109,179	97,129	-	206,308
Community environment	32,414	6,212	-	38,626
Basic utility services	8,067	-	-	8,067
Transportation	-	86,673	-	86,673
General government	127,609	30,397	-	158,006
Debt service:				
Principal retirement	-	-	16,600	16,600
Interest and fiscal charges	-	-	80,000	80,000
Total cash disbursements	<u>277,269</u>	<u>220,411</u>	<u>96,600</u>	<u>594,280</u>
Total cash receipts over/(under) cash disbursements	<u>89,244</u>	<u>(4,198)</u>	<u>(2,117)</u>	<u>82,929</u>
Other financing receipts				
Operating transfers in	-	-	3,220	3,220
Total other financing receipts	<u>-</u>	<u>-</u>	<u>3,220</u>	<u>3,220</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	89,244	(4,198)	1,103	86,149
Cash fund balances, January 1, 2004	<u>23,055</u>	<u>124,346</u>	<u>20,154</u>	<u>167,555</u>
Cash fund balances, December 31, 2004	<u>\$ 112,299</u>	<u>\$ 120,148</u>	<u>\$ 21,257</u>	<u>\$ 253,704</u>

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

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

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

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 150,288	\$ -	\$ 150,288
Total operating cash receipts	<u>150,288</u>	<u>-</u>	<u>150,288</u>
Operating cash disbursements:			
Personal services	9,006	-	9,006
Contractual services	67,207	-	67,207
Supplies and material	1,107	-	1,107
Total operating cash disbursements	<u>77,320</u>	<u>-</u>	<u>77,320</u>
Operating income	<u>72,968</u>	<u>-</u>	<u>72,968</u>
Nonoperating cash receipts/(disbursements):			
Special assessments	1,007	-	1,007
Court collections	-	22,394	22,394
Interest	80	-	80
Distribution of court fines/fees	-	(22,609)	(22,609)
Total nonoperating cash receipts/(disbursements)	<u>1,087</u>	<u>(215)</u>	<u>872</u>
Income/(loss) before operating transfers	74,055	(215)	73,840
Transfers out	<u>(3,220)</u>	<u>-</u>	<u>(3,220)</u>
Net Income/(loss)	70,835	(215)	70,620
Cash fund balances, January 1, 2004	<u>17,717</u>	<u>2,343</u>	<u>20,060</u>
Cash fund balances, December 31, 2004	<u>\$ 88,552</u>	<u>\$ 2,128</u>	<u>\$ 90,680</u>

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

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 16,313	\$ 315,314	\$ 331,627	\$ 366,513	\$ 51,199	\$ -	\$ 316,628	\$ 316,628	\$ 277,269	\$ -	\$ 277,269	\$ 39,359
Special Revenue	124,345	269,387	393,732	216,213	(53,174)	-	385,717	385,717	220,411	-	220,411	165,306
Debt Service	18,645	109,696	128,341	97,703	(11,993)	-	111,000	111,000	96,600	-	96,600	14,400
Proprietary:												
Enterprise	19,226	96,000	115,226	151,375	55,375	-	110,908	110,908	80,540	-	80,540	30,368
Total (Memorandum Only)	<u>\$ 178,529</u>	<u>\$ 790,397</u>	<u>\$ 968,926</u>	<u>\$ 831,804</u>	<u>\$ 41,407</u>	<u>\$ -</u>	<u>\$ 924,253</u>	<u>\$ 924,253</u>	<u>\$ 674,820</u>	<u>\$ -</u>	<u>\$ 674,820</u>	<u>\$ 249,433</u>

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

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 233,821	\$ -	\$ -	\$ -	\$ 233,821
Intergovernmental	86,941	29,264	-	-	116,205
Special assessments	-	125,582	-	-	125,582
Charges for services	-	-	90,976	-	90,976
Fines, licenses, and permits	51,470	5,096	-	-	56,566
Interest	103	35	6	-	144
Miscellaneous	2,497	3,035	788	-	6,320
Total cash receipts	<u>374,832</u>	<u>163,012</u>	<u>91,770</u>	<u>-</u>	<u>629,614</u>
Cash disbursements:					
Current:					
Security of persons and property	114,167	60,843	-	-	175,010
Community environment	20,717	7,611	-	-	28,328
Transportation	-	40,210	-	-	40,210
General government	234,014	1,962	-	-	235,976
Capital outlay	-	-	-	84,189	84,189
Debt service:					
Principal retirement	-	-	15,800	-	15,800
Interest and fiscal charges	-	-	80,750	-	80,750
Total cash disbursements	<u>368,898</u>	<u>110,626</u>	<u>96,550</u>	<u>84,189</u>	<u>660,263</u>
Total cash receipts over/(under) cash disbursements	<u>5,934</u>	<u>52,386</u>	<u>(4,780)</u>	<u>(84,189)</u>	<u>(30,649)</u>
Other financing receipts:					
Operating transfers in	-	-	9,661	-	9,661
Total other financing receipts	<u>-</u>	<u>-</u>	<u>9,661</u>	<u>-</u>	<u>9,661</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	5,934	52,386	4,881	(84,189)	(20,988)
Cash fund balances, January 1, 2003	<u>17,121</u>	<u>71,995</u>	<u>15,279</u>	<u>84,189</u>	<u>188,584</u>
Cash fund balances, December 31, 2003	<u>\$ 23,055</u>	<u>\$ 124,381</u>	<u>\$ 20,160</u>	<u>\$ -</u>	<u>\$ 167,596</u>

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

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE AND  
SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 97,573	\$ -	\$ 97,573
Total operating cash receipts	<u>97,573</u>	<u>-</u>	<u>97,573</u>
Operating cash disbursements:			
Personal services	6,911	-	6,911
Contractual services	74,540	-	74,540
Supplies and material	4,911	-	4,911
Total operating cash disbursements	<u>86,362</u>	<u>-</u>	<u>86,362</u>
Operating income	<u>11,211</u>	<u>-</u>	<u>11,211</u>
Nonoperating cash receipts/(disbursements):			
Court collections	-	15,207	15,207
Miscellaneous	254	1,875	2,129
Interest	782	-	782
Distribution of court fines/fees	-	(16,121)	(16,121)
Total nonoperating cash receipts/(disbursements)	<u>1,036</u>	<u>961</u>	<u>1,997</u>
Income before operating transfers and advances	12,247	961	13,208
Transfers out	<u>(9,661)</u>	<u>-</u>	<u>(9,661)</u>
Net Income	2,586	961	3,547
Cash fund balances, January 1, 2003	<u>15,131</u>	<u>1,382</u>	<u>16,513</u>
Cash fund balances, December 31, 2003	<u>\$ 17,717</u>	<u>\$ 2,343</u>	<u>\$ 20,060</u>

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

VILLAGE OF SHAWNEE HILLS  
DELAWARE COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 13,528	\$ 371,596	\$ 385,124	\$ 374,832	\$ 3,236	\$ 3,593	\$ 376,329	\$ 379,922	\$ 368,898	\$ -	\$ 368,898	\$ 11,024
Special Revenue	71,945	157,904	229,849	163,012	5,108	50	224,654	224,704	110,626	-	110,626	114,078
Debt Service	15,279	95,988	111,267	101,431	5,443	-	107,000	107,000	96,550	-	96,550	10,450
Capital Projects	78,666	-	78,666	-	-	5,523	73,143	78,666	84,189	-	84,189	(5,523)
Proprietary:												
Enterprise	4,300	92,744	97,044	98,609	5,865	10,831	81,102	91,933	96,023	-	96,023	(4,090)
Total (Memorandum Only)	\$ 183,718	\$ 718,232	\$ 901,950	\$ 737,884	\$ 19,652	\$ 19,997	\$ 862,228	\$ 882,225	\$ 756,286	\$ -	\$ 756,286	\$ 125,939

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Village of Shawnee Hills, Delaware County, Ohio, (the "Village") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities and police services. The Village contracts with Concord Township for fire protection services.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

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

Governmental Fund Types

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

Special Revenue Funds

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

The Village had the following significant special revenue funds:

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

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

Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Village had the following significant debt service fund:

*General Obligation Debt Service* - This fund is used to accumulate resources for the payment of the Rural Development Authority loan.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The Village had no capital project funds in 2004. In 2003, expenditures related to the sewer construction project.

Proprietary Fund Type

*Enterprise Funds* - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Village is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or 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 purposes.

The Village had the following Enterprise Fund:

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

Fiduciary Funds (Trust and Agency)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had no expendable or nonexpendable trust funds. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

*Mayor's Court (Agency)* - This fund receives monies from collections of fines imposed from tickets issued by the Village's police protection force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization, and general Village operations.

**B. BASIS OF ACCOUNTING**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

**C. BUDGETARY PROCESS**

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

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources:*

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

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted several supplemental appropriations during the years ended December 31, 2004 and 2003. The Village did not maintain an appropriation ledger.

*Encumbrances:*

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The village had no outstanding encumbrances at December 31, 2004 and 2003.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$2,029 and \$926 for the years ended December 31, 2004 and 2003, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

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

**F. UNPAID VACATION AND SICK LEAVE**

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

**G. INTERGOVERNMENTAL REVENUES**

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

**H. INTERFUND TRANSACTIONS**

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

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

**I. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

	2004	2003
Deposits:		
Demand deposits	\$ 344,384	\$ 187,615

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

**NOTE 4 - COMPLIANCE**

In noncompliance with Ohio Revised Code Section 5705.41(B), the following funds had expenditures in excess of appropriations for the year ended December 31, 2003:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Capital Projects Fund:</u>	
Sewer Project Fund	\$ 5,523
<u>Enterprise Fund:</u>	
Sewer Fund	4,090

Disclosure is presented at the fund level, rather than at the object level within a department and fund.

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the Village's operating transfers for 2004 and 2003:

<u>2004</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>DEBT SERVICE FUND:</u>		
General Obligation Debt Service	\$ 3,220	\$ -
<u>ENTERPRISE FUND:</u>		
Sewer	-	3,220
Totals	\$ 3,220	\$ 3,220
<u>2003</u>		
<u>DEBT SERVICE FUND:</u>		
General Obligation Debt Service	\$ 9,661	\$ -
<u>ENTERPRISE FUND:</u>		
Sewer	-	9,661
Totals	\$ 9,661	\$ 9,661

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

**NOTE 6 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due on the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**NOTE 7 - LOCAL INCOME TAX**

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

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

**NOTE 8 - DEBT OBLIGATIONS**

At December 31, 2004, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/04</u>	<u>Balance at 12/31/03</u>
2001 United States Department of Agriculture (USDA) Rural Development, Sanitary Sewer System Mortgage Revenue Bonds, due in annual installments of varying amounts through 2041, bearing interest at 4.75%.	<u>\$ 1,667,600</u>	<u>\$ 1,684,200</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 8 - DEBT OBLIGATIONS - (Continued)**

Transactions for the years ended December 31, 2004 and 2003 are summarized as follows:

<u>2004</u>	<u>Balance at</u> <u>01/01/04</u>	<u>Proceeds</u>	<u>Principal</u> <u>Retirement</u>	<u>Balance at</u> <u>12/31/04</u>
2001 USDA	\$ 1,684,200	\$ -	\$ (16,600)	\$ 1,667,600
Total	<u>\$ 1,684,200</u>	<u>\$ -</u>	<u>\$ (16,600)</u>	<u>\$ 1,667,600</u>

<u>2003</u>	<u>Balance at</u> <u>01/01/03</u>	<u>Proceeds</u>	<u>Principal</u> <u>Retirement</u>	<u>Balance at</u> <u>12/31/03</u>
2001 USDA	\$ 1,700,000	\$ -	\$ (15,800)	\$ 1,684,200
Total	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ (15,800)</u>	<u>\$ 1,684,200</u>

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2004 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>USDA BONDS</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 17,300	\$ 79,211
2006	18,200	78,389
2007	19,000	77,525
2008	19,900	76,622
2009	20,900	75,677
2010 - 2014	120,200	362,524
2015 - 2019	151,700	331,128
2020 - 2024	191,200	291,518
2025 - 2029	241,200	241,576
2030 - 2032	304,200	178,590
2033 - 2037	383,600	99,148
2038 - 2042	<u>180,200</u>	<u>12,940</u>
Total	<u>\$ 1,667,600</u>	<u>\$ 1,904,848</u>

**NOTE 9 - DEBT COVENANT**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

**NOTE 9 - DEBT COVENANT - (Continued)**

For the years ended December 31, 2004 and 2003 the Village did not establish separately a "Reserve Fund" and a "Sinking Fund" in noncompliance of Ohio Revised Code Section 5705.09. The Village did maintain a debt service fund where a portion of the sewer receipts is allocated to fund the annual principal and interest. Monies are also maintained in this fund for the monthly payments of \$805.03. The Village did maintain two separate checking accounts for reserve and debt funds, however the amounts maintained were not in accordance with the debt covenant.

**NOTE 10 - RETIREMENT SYSTEM**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. At December 31, 2004, the Village did not have an unpaid liability for 2004. All amounts for 2003 have been paid.

**NOTE 11 - RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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

**NOTE 12 - CONTINGENT LIABILITIES**

The Village is currently involved in litigation that the outcome is unknown at this time.



**Julian & Grube, Inc.**  
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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the Village of Shawnee Hills as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 16, 2006, wherein we noted the Village of Shawnee Hills followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Shawnee Hills' internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable a condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the Village of Shawnee Hills' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-VOSH-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements we audited may occur and not be detected within a timely period by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, we consider to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Shawnee Hills in a separate letter dated January 16, 2006.

Members of Council and Mayor  
Village of Shawnee Hills

Compliance and Other Matters

As part of reasonably assuring whether the Village of Shawnee Hills' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-VOSH-001, 2004-VOSH-002 and 2004-VOSH-003. In a separate letter dated January 16, 2006, we reported other matters related to noncompliance that we deemed immaterial.

This report is intended solely for the information of the Council and management of the Village of Shawnee Hills and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.  
January 16, 2006

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2004-VOSH-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village of Shawnee Hills had expenditures in excess of appropriations for the year ended December 31, 2003 in the following funds:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Capital Projects Fund:</u>	
Sewer Project Fund	\$ 5,523
<u>Enterprise Fund:</u>	
Sewer Fund	4,090

Disclosure is presented at the fund level, rather than at the department and object level within the fund due to the practicality of determining these values.

With expenditures exceeding appropriations, the Village of Shawnee Hills is unlawfully expending monies that have not been appropriated.

We recommend that the Village of Shawnee Hills comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

*Client Response:* The Village Fiscal Officer is attempting to obtain additional supplemental appropriations from the Village Council as deemed necessary.

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>	
Finding Number	2004-VOSH-002

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that expenditures by the Village of Shawnee Hills were not certified in a timely manner.

Without timely certification, the Village of Shawnee Hills may expend more funds than available in the treasury, in the process of collection or than funds appropriated.

We recommend that the Village of Shawnee Hills implement a policy and procedure for purchases involving the expenditure of money be timely certified to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village of Shawnee Hills should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or Athen and now@ certificates where applicable.

*Client Response:* The Village Fiscal Officer is attempting to utilize the “then and now” certificates when applicable.

Finding Number	2004-VOSH-003
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The Village’s USDA mortgage revenue bond debt covenant requires the Village to (1) maintain a Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund. These funds are to be established for, and pledged to, the payment of principal and interest on the Bonds, a sum equal to at least one-twelfth of the amount of interest due on the next ensuing interest payment date with respect to all bonds outstanding plus the amount necessary to provide for payment of the next ensuing principal maturity of all bonds outstanding, and (2) establish a reserve fund whereby the sum of \$805.03 each month must be deposited until there is accumulated in such fund the sum of \$96,603, the minimum reserve.

For the years ended December 31, 2004 and 2003 the Village did not establish separately a “Reserve Fund” and a “Sinking Fund” in noncompliance of Ohio Revised Code Section 5705.09. The Village did maintain a debt service fund where a portion of the sewer receipts is allocated to fund the annual principal and interest. Monies are also maintained in this fund for the monthly payments of \$805.03. The Village did maintain two separate checking accounts for reserve and debt funds, however, the amounts maintained were not in accordance with the debt covenant.

*Client Response:* The Fiscal Officer is attempting to create the separate required funds and properly fund them in accordance with the debt covenants.

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>	
Finding Number	2004-VOSH-004

It was noted during the audit that an appropriation ledger was not maintained throughout the years ended December 31, 2004 or 2003.

It is not proper budgeting stewardness for the Village to expend monies or incur obligations without maintaining an appropriation ledger to monitor that funds have been properly appropriated for such expenditures.

We recommend that the Village Council maintain an appropriation ledger, and update it accordingly. These ledgers should be reviewed periodically by the Village Council to enable them to make appropriate budgetary decisions. The Village may consider consulting with an accounting firm to help monitor compliance with this requirement. We also recommend obtaining a computerized system to help with efficiency and effectiveness throughout the year.

*Client Response:* The Fiscal Officer is attempting to set up an appropriation ledger to monitor appropriations as purchase orders are requested and approved.



Mary Taylor, CPA  
Auditor of State

VILLAGE OF SHAWNEE HILLS

DELAWARE COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 22, 2007