

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY
Regular Audit
For the Years Ended December 31, 2009 and 2008**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Village Council
Village of Fort Shawnee
2050 West Breese Road
Fort Shawnee, Ohio 45806

We have reviewed the *Independent Accountants' Report* of the Village of Fort Shawnee, Allen County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2008 through December 31, 2009. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

1. Finding For Recovery – Mayor's Court

The Village of Fort Shawnee, Allen County, operates a Mayor's Court. The Village's procedures were that the Mayor's Court Clerk collects the bonds, fines and forfeitures for the Mayor's Court and maintains a cash book and docket. The cash book is totaled and reconciled to the cash collections and a notation is made on the cash book page indicating the total amount collected and the date that the funds were turned over to the village fiscal officer for deposit and distribution. However, the policy does not require documentation between the fiscal officer and the mayor's court clerk to indicate that an exchange has taken place.

On three occasions during the audit period, a portion of the mayor's court collections were not deposited. No documentation exists to confirm that the money passed from the Mayor's Court Clerk to the village fiscal officer and the village fiscal officer cannot confirm or deny that she received the money.

Deposit Dates:	Deposit Shortage
July 10, 2008	\$60
August 13, 2008	134
December 26, 2008	181
Total	\$375

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No 80-074; Ohio Rev Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but accounted for is hereby issued against the Mayor's Court Clerk, Bobbi Frysinger and the former village Finance Director, Twyla Overman, jointly and severally, in the total amount of \$375.

When the funds are collected, the village officials should review the mayor's court cashbook for the dates of July 7, 2008, August 4, 2008, and December 15, 2008, and make the proper distributions to the State of Ohio for the fines collected and distribute the balance to the village's general fund.

2. Finding For Recovery – Fiscal Officer Compensation

During the review of the Village's payroll system, it was noted the Finance Director provided herself with unauthorized and unapproved pay increases. She increased her pay from \$15.02 to \$16.02 an hour commencing with pay period ending January 6, 2007 and increased her pay again from \$16.02 to \$17.02 an hour commencing with pay period ending October 27, 2007. These increases resulted in overpayment of the former Finance Director in the amount of \$2,480 in 2007, \$4,160 in 2008, and \$3,200 in 2009.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No 80-074; Ohio Rev Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the former village finance director, Twyla Overman, in the total amount of \$9,840.

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 Accountants' 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 Accountants' 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 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

December 7, 2010

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**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

September 22, 2010

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

To the Village Council:

We were engaged to audit the accompanying financial statements of the **Village of Fort Shawnee, Allen County, Ohio**, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management.

The Village did not provide adequate supporting documentation for expenditures to allow us to determine the completeness, occurrence, allocation, and rights and obligations of all expenditures recorded in the General, Special Revenue and Capital Projects Fund Types in 2009 and 2008, nor were we able to apply alternative auditing procedures to satisfy ourselves as to the completeness, occurrence, allocation and rights and obligations of expenditures.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits.

Because of the effects of the matters discussed in paragraph two, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the 2009 and 2008 financial statements.

As discussed in Note 10 to the financial statements, the Village is experiencing financial difficulties. The Village's Permissive Motor Vehicle Fund had a deficit cash fund balance of \$83,385, the Contract Police Fund has a deficit cash fund balance of \$20,913, the Street Improvement Levy Fund has a deficit cash fund balance of \$31,408 and the Water Contract Fund has a deficit cash fund balance of \$197, respectively, as of December 31, 2009. Management does not have any long-term plans for reducing the fund deficits.

The Village 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 September 22, 2010, 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 engagement.

Village of Fort Shawnee
Allen County
Independent Accountants' Report
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Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 62,048	\$ 34,557	\$ -	\$ 36,942	\$ 133,547
Intergovernmental	136,219	212,276	-	4,508	353,003
Special Assessments	-	-	8,286	-	8,286
Charges for Services	-	35,917	-	-	35,917
Fines, Licenses, and Permits	110,268	7,215	-	-	117,483
Earnings on Investments	667	2,180	-	-	2,847
Miscellaneous	7,243	847	-	-	8,090
	<u>316,445</u>	<u>292,992</u>	<u>8,286</u>	<u>41,450</u>	<u>659,173</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	250,813	92,130	-	-	342,943
Public Health Services	16,015	-	-	-	16,015
Community Environment	3,690	-	-	-	3,690
Transportation	-	171,340	-	-	171,340
General Government	143,483	-	178	840	144,501
Debt Service:					
Redemption of Principal	-	-	8,000	-	8,000
Interest and Fiscal Charges	-	-	608	-	608
Capital Outlay	-	67,385	-	77,047	144,432
	<u>414,001</u>	<u>330,855</u>	<u>8,786</u>	<u>77,887</u>	<u>831,529</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Disbursements	<u>(97,556)</u>	<u>(37,863)</u>	<u>(500)</u>	<u>(36,437)</u>	<u>(172,356)</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	1,795	-	-	-	1,795
Advances-In	112,543	78,590	-	54,093	191,133
Advances-Out	(69,643)	(121,490)	-	(54,093)	(191,133)
	<u>44,695</u>	<u>(42,900)</u>	<u>-</u>	<u>-</u>	<u>1,795</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(52,861)	(80,763)	(500)	(36,437)	(170,561)
Fund Cash Balances, January 1	57,908	222,744	5,318	5,027	290,997
Fund Cash Balances, December 31	<u>\$ 5,047</u>	<u>\$ 141,981</u>	<u>\$ 4,818</u>	<u>\$ (31,410)</u>	<u>\$ 120,436</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, 2009**

	Fiduciary Fund Type
	Agency Fund
Operating Cash Receipts:	
Charges for Services	\$ 113,713
Fines, Licenses and Permits	86,294
Total Operating Cash Receipts	200,007
Operating Cash Disbursements:	
Contractual Services	133,056
Other	86,294
Total Operating Cash Disbursements	219,350
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	(19,343)
Advances-In	1,000
Advances-Out	(1,000)
Net Receipts Over/(Under) Disbursements	(19,343)
Fund Cash Balances, January 1	34,292
Fund Cash Balances, December 31	\$ 14,949

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, 2008**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 51,790	\$ 38,672	\$ -	\$ 39,311	\$ 129,773
Intergovernmental	189,848	227,498	-	5,969	423,315
Special Assessments	-	-	8,256	-	8,256
Charges for Services	-	35,798	-	-	35,798
Fines, Licenses, and Permits	125,241	8,244	-	-	133,485
Earnings on Investments	4,662	4,535	-	-	9,197
Miscellaneous	6,869	250	-	-	7,119
	<u>378,410</u>	<u>314,997</u>	<u>8,256</u>	<u>45,280</u>	<u>746,943</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	237,513	93,289	-	-	330,802
Public Health Services	15,744	-	-	-	15,744
Community Environment	4,823	-	-	-	4,823
Basic Utility Services	549	-	-	-	549
Transportation	-	184,044	-	894	184,938
General Government	139,475	6,060	79	79,895	225,509
Debt Service:					
Redemption of Principal	-	-	7,000	-	7,000
Interest and Fiscal Charges	-	-	570	-	570
Capital Outlay	79,618	66,415	-	-	146,033
	<u>477,722</u>	<u>349,808</u>	<u>7,649</u>	<u>80,789</u>	<u>915,968</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Disbursements	<u>(99,312)</u>	<u>(34,811)</u>	<u>607</u>	<u>(35,509)</u>	<u>(169,025)</u>
Other Financing Receipts/(Disbursements):					
Advances-In	21,900	93,410	-	28,100	115,310
Advances-Out	(62,800)	(52,510)	-	(28,100)	(115,310)
	<u>(40,900)</u>	<u>40,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(140,212)	6,089	607	(35,509)	(169,025)
Fund Cash Balances, January 1	198,120	216,655	4,711	40,536	460,022
Fund Cash Balances, December 31	<u>\$ 57,908</u>	<u>\$ 222,744</u>	<u>\$ 5,318</u>	<u>\$ 5,027</u>	<u>\$ 290,997</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, 2008**

	Fiduciary Fund Type
	Agency Fund
Operating Cash Receipts:	
Charges for Services	\$ 89,784
Fines, Licenses and Permits	108,197
	197,981
Operating Cash Disbursements:	
Contractual Services	182,861
Other	104,908
	287,769
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	(89,788)
Advances-In	100
Advances-Out	(100)
	(89,788)
Net Receipts Over/(Under) Disbursements	(89,788)
Fund Cash Balances, January 1	124,080
Fund Cash Balances, December 31	\$ 34,292

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, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fort Shawnee, Allen 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 operates under a charter form of government. The charter established the legislative powers to be vested in a Council of six members to be elected at large by the voters for four years terms. The Fiscal Officer (Finance Director) is appointed by the Council. The Village provides general governmental and police services. The Village contracts with Shawnee Township to provide police protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

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 reports 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

These funds account for the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Bond Retirement Fund – This fund is used for the accumulation of resources for retirement of a 1989 waterline improvement bond issue.

4. Capital Projects Fund

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 Projects Fund:

Street Improvement Levy Fund – This fund receives monies from a tax levy specifically for the upkeep of roads and streets.

5. Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Funds:

Water Contract 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 that have been collected.

Mayor's Court Fund – This fund accounts for the financial activity of Mayor's Court.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency Funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments as required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit 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 was as follows:

	2009	2008
Demand Deposits	\$ 44,111	\$ 50,581
STAR Ohio	91,274	274,708
Total Deposits and Investments	\$ 135,385	\$ 325,289

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village. 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 ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 344,965	\$ 318,240	\$ (26,725)
Special Revenue	307,520	292,992	(14,528)
Debt Service	8,200	8,286	86
Capital Projects	45,100	41,450	(3,650)
Total	\$ 705,785	\$ 660,968	\$ (44,817)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 419,480	\$ 414,001	\$ 5,479
Special Revenue	379,575	330,855	48,720
Debt Service	9,380	8,786	594
Capital Projects	78,800	77,887	913
Total	\$ 887,235	\$ 831,529	\$ 55,706

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 283,625	\$ 378,410	\$ 94,785
Special Revenue	243,972	314,997	71,025
Debt Service	7,500	8,256	756
Capital Projects	45,000	45,280	280
Total	\$ 580,097	\$ 746,943	\$ 166,846

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 501,281	\$ 477,722	\$ 23,559
Special Revenue	457,746	349,808	107,938
Debt Service	9,766	7,649	2,117
Capital Projects	6,395	80,789	(74,394)
Total	\$ 975,188	\$ 915,968	\$ 59,220

4. PROPERTY TAX

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

5. DEBT

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 were redeemed through the proceeds levied against the benefited property owners. The bonds were retired during the audit period.

6. CONDUIT DEBT

During the year 2009, the Village reissued 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, 2009 AND 2008
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multi-employer plans. These plans provide retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2009 and 2008, members of OPERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. RISK MANAGEMENT

Risk Pool Membership

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

The Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>Contributions to PEP</u>	
2008	\$ 3,350
2009	\$ 3,458

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

9. ACCOUNTABILITY AND COMPLIANCE

Contrary to Ohio Revised Code Section 5705.10, the Village had the following negative cash balances at December 30, 2009 in the following funds:

	<u>Deficit</u>
Permissive Motor Vehicle Fund	\$(83,385)
Street Improvement Levy Fund	(31,408)
Contract Police Fund	(20,913)
Water Contract Fund	(197)

The deficit balances are in part due to a deficit cash fund balance and failure to adequately fund these programs. As of the date of this report, management has not made any formal long-term plans to address the deficit that remains in these Funds.

10. SUBSEQUENT EVENTS/EMERGENCY DETERMINATION

Upon review of the Village's records, the Village was placed in fiscal emergency by the Auditor of State on September 16, 2010. As of December 31, 2009, the following funds had deficit fund balances in the following amounts: Permissive Motor Vehicle (\$83,385), Street Improvement Levy (\$31,408), Contract Police (\$20,913) and Water Contract (\$197). These negative cash fund balances were covered primarily by cash balances in various Special Revenue Funds.

The Village has 120 days after going into fiscal emergency to have a plan submitted to the Auditor of State, Local Government Services Division (LGS). As of the date of this report, the Village has taken no formal action regarding the fiscal emergency declaration.

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**

September 22, 2010

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

To the Village Council:

We were engaged to audit the financial statements of the **Village of Fort Shawnee, Allen County, Ohio** (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 22, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We did not opine on all expenditures recorded in the General, Special Revenue and Capital Projects Fund Types because we are unable to satisfy ourselves to the completeness, occurrence, allocation and rights and obligations of these transactions. We also noted the Village's Permissive Motor Vehicle, Street Improvement, Contract Police and Water Contract Funds had deficit cash fund balances as of December 31, 2009, and management does not have any long-term plans to reduce the deficit.

Internal Control over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-003 through 2009-010 described in the accompanying schedule of findings to be material weaknesses.

Internal Control over Financial Reporting (Continued)

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. We consider findings 2009-001, 2009-002 and 2009-011 through 2009-013 described in the accompanying schedule of findings to be significant deficiencies.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2009-001 through 2009-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 22, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the 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 AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 9.38 states public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

In 2008, the Finance Director did not deposit funds to a designated depository on the business day following the day of receipt. Also, Mayor's Court funds were not deposited with the Finance Director on the business day following the day of receipt.

We recommend the Village take steps to ensure deposits are made timely as required by Ohio Revised Code. In addition, the Village could adopt the above-mentioned policy to allow deposits of less than \$1,000 to be deposited within three business days.

Management's Response – The Village has enacted a policy to provide for receipts less than \$1,000 will be secured in the office under locked box or safe. The Village's current bank has a courier service for all receipts that will be utilized regularly. As noted, this issue has been partially corrected. The Village has also contracted with its financial institution for a courier to pick up deposits every business day.

FINDING NUMBER 2009-002

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the Fiscal Officer.

The Village did not file the 2008 annual financial report with the Auditor of State within the 60 days of the fiscal year end. In addition, no evidence was presented to indicate the Village published a notice in a local newspaper stating the financial report is available for public inspection.

We recommend the Annual Financial Report be prepared and filed within 60 days of the fiscal year end. In addition, the Village should publish notice in a local newspaper that the financial report is available for public inspection.

Management's Response – The Village has filed these reports as required. The Village Finance Director who was responsible for this error has been terminated. The Village is now on the Uniform Accounting Network (UAN), and the 2009 report was timely filed.

FINDING NUMBER 2009-003

Noncompliance Citation/Material Weakness

Ohio Revised Code Section 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Ohio Revised Code Section 149.351(A) (Continued)

For the audit period the following documentation was not provided by the Village:

- Non-Payroll Expenditures – no supporting documentation to indicate amounts to be paid in 2009 and 2008. The Village terminated its Finance Director during the audit period and did not employ a permanent replacement until after the end of the audit period. During this period, the Village had no controls over non-payroll expenditures beyond issuing checks.
- Payroll Expenditures – no supporting documentation to indicate amounts to be paid to employees or remitted to taxing entities in 2009 and 2008. The Village terminated its Finance Director during the audit period and did not employ a permanent replacement until after the end of the audit period. During this period the Village had no controls over payroll expenditures beyond issuing payroll checks.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and irregularities occurring and not being detected by management in a timely manner.

We recommend the Village keep all documentation to support all expenditures.

Management's Response – The Village has corrected this issue by employing a full time replacement for the terminated Finance Director. As noted in this finding, while there was a gap between employees, documentation was not properly kept. However, this situation is not likely to recur given staffing changes.

FINDING NUMBER 2009-004

Noncompliance Citation/Material Weakness

Ohio Revised Code Section 733.40 requires, except as otherwise provided in Ohio Revised Code Section 4511.193, all fines, forfeitures, and cost in ordinance cases and all fees collected by the Mayor, or which in any manner come into his or her hands, or which are due to such Mayor or a Marshal, Chief of Police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, and all money received by such Mayor for the use of such municipal corporation, shall be paid by Court Clerk into the Village's treasury on the first Monday of each month.

Our review of the Village's Mayor's Court disclosed the following:

- In 2008, a separate bank account was not maintained for Mayor's Court activity.
- In 2008 and 2009, a separate ledger account was maintained in an agency fund which accounted for a portion of the activity of the court. However, this account did not include the Village's portion of monies received for Mayor's Court activity, which was reflected as General Fund activity.
- In 2008, remittances were not made monthly to the State of Ohio.

These weaknesses could allow recording errors and irregularities to occur and remain undetected. Adjustments were made to the Village's books to properly reflect the activity of the Mayor's Court.

We recommend the Village distribute fines collected by the Village's Mayor's Court to the Village's General Fund and other applicable agencies by the required dates.

Management's Response – The Mayor's Court Clerk now provides a separate bank account for Mayor's Court activities, and accounting procedures have been brought up to date.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-005

Noncompliance Citation/Material Weakness

Ohio Revised Code Section 5705.10 requires that monies paid into any fund is used only for purposes for which such fund is established. The Village had the following negative cash fund balances:

For the year ended December 31, 2009

The Permissive Motor Vehicle Fund had a negative balance of \$83,385
The Contract Police Fund had a negative balance of \$20,913
The Street Improvement Levy Fund had a negative balance of \$31,408
The Water Contract Fund had a negative balance of \$197

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored by the Finance Director to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Management's Response – The Village of Fort Shawnee's former Finance Director was terminated on September 26, 2009, for misfeasance and malfeasance in office, specifically for major errors and omissions in accounting and suspicion of theft. The Village is working cooperatively with law enforcement to pursue criminal action. The Village has also worked closely with the Auditor of State's Office to fully reconstruct the books and records of the Village.

The most significant fund deficiencies in the Permissive Motor Vehicle and Street Improvement Levy Funds were due to the terminated Finance Director failing to properly request funds from the Allen County Engineer's Office. Therefore, the funds were overdrawn when the former Finance Director paid for the annual road program.

FINDING NUMBER 2009-006

Material Weakness

Bank Reconciliations

The Finance Director did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Village to obtain from the Auditor of State's office detailed proofs of cash for each month and a reconstruction of the cash book for the entire audit period.

We recommend the Finance Director prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Village Council for the Council's review and use in managing the Village. The Finance Director should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-006 (Continued)

Bank Reconciliations (Continued)

Management's Response – The Village Finance Director responsible for this error has been terminated. The Village has contracted with the Auditor of State's Local Government Services to correct this error. This matter has been addressed by placing the Village finances completely in the UAN system, and reconciliations are now presented to Council on a monthly basis.

FINDING NUMBER 2009-007

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code. During 2009 and 2008, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Homestead and rollback receipts recorded as Property and Local Taxes instead of Intergovernmental in the General, COPS Levy, and Street Improvement Levy Funds in 2008 and 2009
- Mayor's Court Agency Fund not maintained for all Mayor's Court activity
- Mayor's Court receipts recorded as Intergovernmental instead of Fines, Licenses and Permits in the Mayor's Court Agency Fund in 2008 and 2009
- Mayor's Court disbursements recorded as Contractual Services instead of Other Operating Disbursements in the Mayor's Court Agency Fund in 2008 and 2009

Not posting revenues and expenditures accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications.

We recommend the Finance Director refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – The Village Finance Director responsible for this error has been terminated. The Auditor of State's Local Government Services has assisted in correcting these issues.

FINDING NUMBER 2009-008

Material Weakness

Mayor's Court Reconciliations

During July, August and December 2008, the Finance Director failed to deposit a total of \$375 in Mayor's Court receipts into the Village's bank account. The Finance Director also failed to record these receipt totals in the Village's receipts ledger. Of this amount, \$135 was found and deposited by the Mayor's Court Clerk in January 2009. Reconciliations of Mayor's Court activity to the Village's bank account balances were not completed.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-008 (Continued)

Mayor's Court Reconciliations (Continued)

This deficiency led to inaccurate bank reconciliations being provided to the Village Council that were then used to make financial decisions for the Village. Missing cash receipts cost the Village funding for its operations.

We recommend the Finance Director and Mayor's Court Clerk prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Village Council for the Council's review and use in managing the Village. The Finance Director and Mayor's Court Clerk should reconcile activity entered in the receipts ledger to the cashbook.

Management's Response – The Village Finance Director responsible for this error has been terminated. Testing and investigation indicate that the missing funds were transferred from the Mayor's Court Clerk to the Finance Director. It is clear to the Village that any financial irregularities are solely the fault of mismanagement by the Finance Director, who has been terminated as a result of this and other malfeasance in office. There is also now cross-checking between the Finance Director and the Mayor's Court Clerk.

FINDING NUMBER 2009-009

Material Weakness

Complete Voucher Packages

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

The Village did not always present complete voucher packages to support expenditures. This practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials. We were unable to obtain sufficient assurances for the expenditures.

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Finance Director's prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

Management's Response – The Village Finance Director responsible for this error has been terminated. The Village now follows all protocols and procedures in the UAN system.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-010

Material Weakness

Payroll Disbursements

During our review of the Village's payroll system, we noted the following conditions:

- The Finance Director gave herself unauthorized pay raises, resulting in overpayment of the Finance Director in the amount of \$2,480 in 2007, \$4,160 in 2008, and \$3,200 in 2009.
- Withholdings were not always remitted to the applicable agencies within a reasonable time.
- Copies of quarterly or monthly returns completed for remittance of withholdings were not always maintained on file by the Village.
- The yearly remittance of state and federal taxes contained no reconciliation between the quarterly returns filed and the amount paid.
- Time cards were not always attached to a payroll voucher.
- Time cards were not always signed for approval by supervisory personnel.
- Manual payroll checks were issued.
- Vacation and holiday leave earned and taken by the Village's employees were not always recorded in the computer system nor accounted for in some other manner.
- Personnel files were not established for each employee/official.

These conditions could result in officials/employees being compensated incorrectly, incorrect W-2's, incorrect compensated leave being taken by the employee and/or incorrect payment of accumulated leave to the employee upon termination of employment, late penalties, and interest and fees being incurred by the Village. Other errors or irregularities could occur and remain undetected.

We recommend the following:

- Council should approve all pay increases and approve all payroll disbursements during its meetings.
- Taxes, retirement contributions, and other withholdings should be remitted to the applicable agency promptly at the end of each month or quarter depending on the requirements of the individual agency.
- Each remittance should contain a reconciliation between what is remitted to the specific agency and what is due from the Village.
- Copies of all monthly and quarterly reports for transmittal of withholdings to each agency should be attached to the pay voucher or maintained on file by the Village.
- Supportive time cards should be attached to all payroll vouchers.
- All payments to employees should be supported by employee time sheets and should be reviewed and approved by supervisory personnel.
- Payroll checks should only be issued using the computerized system. The payroll ledger should include all payroll disbursements, including the amounts remitted to each agency, the check number, and the check date.
- Vacation and sick leave records should be maintained in the computer system for the employee. The Finance Director should record in the system the amount of leave earned during the pay period, the amount of leave used during the period and the cumulative balance. Leave forms should be used, approved, and maintained for future reference. Council should approve any leave balance to be carried over annually.

VILLAGE OF FORT SHAWNEE
ALLEN COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-010 (Continued)

Payroll Disbursements (Continued)

- Personnel files should be established and maintained for each employee/official and should contain pertinent information, including, but not limited to, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, approved employee contracts, policy acknowledgement forms, and evaluations.

Management's Response – Currently, all employee files are maintained with accuracy in the UAN system, which is used to calculate and determine all pay and benefit issues. Time sheets and a time clock are now in place to verify all work hours for payroll. The unauthorized pay raises have been referred to law enforcement for prosecution.

FINDING NUMBER 2009-011

Significant Deficiency

Outstanding Mayor's Court Fines

The Village has no procedures in place to reconcile between fines issued to fines collected and fines outstanding.

Village Council is responsible for monitoring the Mayor's Court within the Village. The Council receives financial information from the Village Finance Director at its monthly meetings, however, a list of delinquent ticket accounts was not provided. As a result of not receiving this information, Village Council may be making uninformed decisions regarding their Mayor's Court operations, needed revenues may not be readily available, and appropriate actions may not be taken in regards to outstanding customer accounts.

We recommend the Village Finance Director provide, at least, a summary of delinquent case information to Village Council monthly and a complete listing of all delinquent tickets at least quarterly.

Management's Response – The Mayor's Court uses an appointed Magistrate. Any unpaid fines and costs are referred to the Law Director and the Magistrate. Upon review, the unpaid fines are dealt with in one of two ways. First, some fines are small and the defendant outside of the jurisdiction of the Court. In those cases, the Magistrate orders a license suspension. The suspension remains in effect until the fine and costs are paid, and the defendant is not able to renew his or her license until these amounts are paid. Second, larger fines and the non-payment for more serious violations (such as OVI and Driving During Suspension) are dealt with by filing motions to show cause or be held in contempt of court, which can include the imposition of jail for non-payment of Court ordered fines. The Mayor's Court report will be amended to indicate the unpaid fines. Mayor's Court outstanding fines are now regularly reported to the Village Council.

FINDING NUMBER 2009-012

Significant Deficiency

Advances

In order to advance cash from one fund to another, Auditor of State Bulletin 97-003 suggests there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. In addition, advances must be approved by a formal

VILLAGE OF FORT SHAWNEE
ALLEN COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-012 (Continued)

Advances (Continued)

resolution of the taxing authority of the subdivision which must include: (1) a specific statement that the transaction is an advance of cash, and, (2) an indication of the money (fund) from which it is expected that repayment will be made.

To alleviate short-term cash flow problems, the Village advanced cash between several funds in 2008 and 2009. None of these advances were approved in Resolution form by the taxing authority.

We recommend that the Village follow the guidance outlined in Auditor of State Bulletin 97-003 to initiate an advance. Council should approve all advances. In addition, if the Council's intent is to not repay the advance, the taxing authority should by Resolution turn the unpaid advance into a transfer.

Management's Response – The Village will adopt and implement the guidelines in State Bulletin 97-003. The terminated Finance Director's inability to report fund balances accurately to the Council contributed to this finding since Council was not advised of low or negative fund balances.

FINDING NUMBER 2009-013

Significant Deficiency

Bonding

The Village management was unable to provide documentation indicating that the Village Finance Director and Mayor were bonded in 2008. We could also find no evidence the Village had a blanket bond to cover other employees responsible for cash collections. For 2009, the bonds for these individuals were not commensurate with their duties. By not having the appropriate employees properly bonded, the Village is subject to potential loss of assets in the event of mismanagement of Village funds.

We recommend the Village obtain the proper bonding for the Finance Director and Mayor as well as obtain a blanket bond for employees who perform cash collections. The amount of the bond should be commensurate with the duties of the employee.

Management's Response – The former Finance Director cancelled the bonding for herself and the Mayor without the knowledge of the Mayor or Council. Bonds have been put in place to correct this issue. The Council will require that evidence of such bonds be presented annually. Bonds are now corrected to include the Mayor, Finance Director and Mayor's Court Clerk.

Management's Response to All Findings – The Village again acknowledges substantial negative findings in this audit period that existed in the prior audit period. The Village's former Finance Director was terminated on September 26, 2009, for misfeasance and malfeasance in office, specifically for major errors and omissions in accounting and suspicion of theft. The Village is working cooperatively with law enforcement to pursue criminal action. The Village has also worked closely with the Auditor of State's Office to fully reconstruct the books and records of the Village.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC Section 9.38 – Timely Deposits	No	Partially Corrected; Repeated as Finding 2009-001
2007-002	ORC Section 117.38 – Filing Annual Financial Reports	No	Partially Corrected; Repeated as Finding 2009-002
2007-003	ORC Section 733.40 – Mayor’s Court	No	Not Corrected; Repeated as Finding 2009-004
2007-004	ORC Section 5705.39 – Appropriations Exceeded Estimated Resources	No	Not Corrected; Repeated in the Management Letter
2007-005	ORC Section 5705.41(D)(1) – Expenditures Not Properly Encumbered	No	Not Corrected; Repeated in the Management Letter
2007-006	Manual Financial Statements	Yes	
2007-007	Bank Reconciliations	No	Not Corrected; Repeated as Finding 2009-006
2007-008	Posting Receipts and Expenditures	No	Not Corrected; Repeated as Finding 2009-007
2007-009	Mayor’s Court Reconciliations	No	Not Corrected; Repeated as Finding 2009-008
2007-010	Budgetary Accounting – Estimated Receipts	No	Not Corrected; Repeated in the Management Letter
2007-011	Outstanding Mayor’s Court Fines	No	Not Corrected; Repeated as Finding 2009-011
2007-012	Bonding	No	Not Corrected; Repeated as Finding 2009-013
2007-013	Complete Voucher Packages	No	Not Corrected; Repeated as Finding 2009-009



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
DECEMBER 21, 2010**