

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

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2006 and 2005

SHIRLEY ROSKOSKI, FISCAL OFFICER



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Shawnee Hills, Delaware County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA
Auditor of State

November 1, 2007

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

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Julian & Grube, Inc.
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Village of Shawnee Hills (the "Village"), Delaware County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 2, the Village prepared these financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for December 31, 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for December 31, 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or cash flows of its proprietary fund type for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Shawnee Hills, Delaware County, as of and for the years ended December 31, 2006 and 2005, and its combined cash receipts and disbursements and 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 to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 August 3, 2007, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Julian & Grube, Inc.
August 3, 2007

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

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2006 AND 2005

<u>Cash and Cash Equivalents</u>	2006	2005
Cash and Cash Equivalents	\$ 215,576	\$ 398,738
Total Cash and Cash Equivalents	\$ 215,576	\$ 398,738
<u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 34,937	\$ 170,671
Special Revenue Funds	126,132	126,006
Debt Service Funds	33,313	22,684
Total Governmental Fund Types	194,382	319,361
<u>Proprietary Fund Type:</u>		
Enterprise Fund	18,394	79,350
<u>Fiduciary Fund Type:</u>		
Agency	2,800	27
Total Fund Balances	\$ 215,576	\$ 398,738

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, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Local taxes	\$ 346,706	\$ 205,792	\$ -	\$ 552,498
Intergovernmental	46,507	56,229	-	102,736
Charges for services	-	-	107,420	107,420
Fines, licenses, and permits	75,545	2,330	-	77,875
Interest	13,826	612	-	14,438
Miscellaneous	3,949	49	-	3,998
Total cash receipts	486,533	265,012	107,420	858,965
Cash disbursements:				
Current:				
Security of persons and property	175,871	111,234	-	287,105
Community environment	141,457	2,370	-	143,827
Transportation	-	148,032	-	148,032
General government	295,700	3,250	-	298,950
Debt service:				
Principal retirement	5,761	-	18,200	23,961
Interest and fiscal charges	1,135	-	78,591	79,726
Total cash disbursements	619,924	264,886	96,791	981,601
Total cash receipts over/(under) cash disbursements	(133,391)	126	10,629	(122,636)
Other financing receipts/(disbursements)				
Operating transfers in	-	-	9,660	9,660
Operating transfers out	(2,343)	-	(9,660)	(12,003)
Total other financing receipts/(disbursements)	(2,343)	-	-	(2,343)
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(135,734)	126	10,629	(124,979)
Cash fund balances, January 1, 2006	170,671	126,006	22,684	319,361
Cash fund balances, December 31, 2006	\$ 34,937	\$ 126,132	\$ 33,313	\$ 194,382

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, 2006

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 119,525	\$ -	\$ 119,525
Interest	-	-	-
Other miscellaneous	196	-	196
Total operating cash receipts	<u>119,721</u>	<u>-</u>	<u>119,721</u>
Operating cash disbursements:			
Contractual services	170,087	-	170,087
Supplies and material	15,960	-	15,960
Total operating cash disbursements	<u>186,047</u>	<u>-</u>	<u>186,047</u>
Operating (loss)	<u>(66,326)</u>	<u>-</u>	<u>(66,326)</u>
Nonoperating cash receipts/(disbursements):			
Court collections	-	37,087	37,087
Interest	3,027	-	3,027
Distribution of court fines/fees	-	(34,314)	(34,314)
Total nonoperating cash receipts/(disbursements)	<u>3,027</u>	<u>2,773</u>	<u>5,800</u>
Income/(loss) before operating transfers	<u>(63,299)</u>	<u>2,773</u>	<u>(60,526)</u>
Transfers in	2,343	-	2,343
Net Income/(loss)	<u>(60,956)</u>	<u>2,773</u>	<u>(58,183)</u>
Cash fund balances, January 1, 2006	<u>79,350</u>	<u>27</u>	<u>79,377</u>
Cash fund balances, December 31, 2006	<u>\$ 18,394</u>	<u>\$ 2,800</u>	<u>\$ 21,194</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, 2006

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 20,000	\$ 663,880	\$ 683,880	\$ 486,533	\$ (177,347)	\$ -	\$ 760,897	\$ 760,897	\$ 622,267	\$ -	\$ 622,267	\$ 138,630
Special Revenue	65,816	286,677	352,493	265,012	(21,665)	-	321,491	321,491	264,886	-	264,886	56,605
Debt Service	21,761	110,856	132,617	117,080	6,224	-	108,659	108,659	106,451	-	106,451	2,208
Proprietary:												
Enterprise	60,000	83,738	143,738	125,091	41,353	-	109,724	109,724	186,047	-	186,047	(76,323)
Total												
(Memorandum Only)	\$ 167,577	\$ 1,145,151	\$ 1,312,728	\$ 993,716	\$ (151,435)	\$ -	\$ 1,300,771	\$ 1,300,771	\$ 1,179,651	\$ -	\$ 1,179,651	\$ 121,120

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, 2005

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Local taxes	\$ 265,023	\$ 193,768	\$ -	\$ 458,791
Intergovernmental	51,110	45,177	-	96,287
Charges for services	-	-	97,938	97,938
Fines, licenses, and permits	77,570	2,996	-	80,566
Interest	10,156	780	-	10,936
Miscellaneous	9,000	-	-	9,000
Total cash receipts	412,859	242,721	97,938	753,518
Cash disbursements:				
Current:				
Security of persons and property	97,778	105,709	-	203,487
Community environment	45,018	-	-	45,018
Transportation	-	128,758	-	128,758
General government	204,819	2,396	-	207,215
Debt service:				
Principal retirement	5,541	-	17,300	22,841
Interest and fiscal charges	1,331	-	79,211	80,542
Total cash disbursements	354,487	236,863	96,511	687,861
Total cash receipts over/(under) cash disbursements	58,372	5,858	1,427	65,657
Other financing receipts/(disbursements):				
Operating transfers in	-	-	9,660	9,660
Operating transfers out	-	-	(9,660)	(9,660)
Total other financing receipts/(disbursements)	-	-	-	-
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	58,372	5,858	1,427	65,657
Cash fund balances, January 1, 2005	112,299	120,148	21,257	253,704
Cash fund balances, December 31, 2005	\$ 170,671	\$ 126,006	\$ 22,684	\$ 319,361

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, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 101,932	\$ -	\$ 101,932
Other miscellaneous	256	-	256
Total operating cash receipts	<u>102,188</u>	<u>-</u>	<u>102,188</u>
Operating cash disbursements:			
Contractual services	106,157	-	106,157
Supplies and material	5,555	-	5,555
Total operating cash disbursements	<u>111,712</u>	<u>-</u>	<u>111,712</u>
Operating (loss)	<u>(9,524)</u>	<u>-</u>	<u>(9,524)</u>
Nonoperating cash receipts/(disbursements):			
Interest	322	-	322
Court collections	-	20,070	20,070
Distribution of court fines/fees	-	(22,171)	(22,171)
Total nonoperating cash receipts/(disbursements)	<u>322</u>	<u>(2,101)</u>	<u>(1,779)</u>
Net (loss)	<u>(9,202)</u>	<u>(2,101)</u>	<u>(11,303)</u>
Cash fund balances, January 1, 2005	<u>88,552</u>	<u>2,128</u>	<u>90,680</u>
Cash fund balances, December 31, 2005	<u>\$ 79,350</u>	<u>\$ 27</u>	<u>\$ 79,377</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, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 1,000	\$ 305,878	\$ 306,878	\$ 412,859	\$ 106,981	\$ -	\$ 382,291	\$ 382,291	\$ 354,487	\$ -	\$ 354,487	\$ 27,804
Special Revenue	150,650	203,434	354,084	242,721	39,287	-	338,956	338,956	236,863	-	236,863	102,093
Debt Service	21,527	100,000	121,527	107,598	7,598	-	97,000	97,000	106,171	-	106,171	(9,171)
Proprietary:												
Enterprise	45,000	86,000	131,000	102,510	16,510	-	98,500	98,500	111,712	-	111,712	(13,212)
Total (Memorandum Only)	<u>\$ 218,177</u>	<u>\$ 695,312</u>	<u>\$ 913,489</u>	<u>\$ 865,688</u>	<u>\$ 170,376</u>	<u>\$ -</u>	<u>\$ 916,747</u>	<u>\$ 916,747</u>	<u>\$ 809,233</u>	<u>\$ -</u>	<u>\$ 809,233</u>	<u>\$ 107,514</u>

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, 2006 AND 2005

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

Governmental Fund Types

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

Special Revenue Funds

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

The Village had the following significant special revenue funds:

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

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

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, 2006 AND 2005

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

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)

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's only fiduciary fund is an agency fund. 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

Tax Budget:

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

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 did not legally adopt an appropriation measure during the year ended December 31, 2005. The Village did not maintain an appropriation ledger for the years ended December 2006 and 2005.

Encumbrances:

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The village had no outstanding encumbrances at December 31, 2006 and 2005.

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 \$17,465 and \$11,258 for the years ended December 31, 2006 and 2005, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as 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.

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:

	<u>2006</u>	<u>2005</u>
Deposits:		
Demand deposits	<u>\$215,576</u>	<u>\$398,738</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 4 - COMPLIANCE

- i.* The following funds had disbursements in excess of appropriations for the years ended December 31, 2006 and 2005, in noncompliance with Ohio Revised Code Section 5705.41 (B):

<u>2006</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Fund Type/Fund</u>			
<u>Special Revenue Fund Types:</u>			
Street Fund	\$ 92,431	\$ 147,611	\$ 55,180
<u>Enterprise Fund Type:</u>			
Sewer	109,724	186,047	76,323
<u>2005</u>			
<u>Fund Type/Fund</u>			
<u>Debt Service Fund Type:</u>			
General Obligation Debt Service	97,000	106,171	9,171
<u>Enterprise Fund Type:</u>			
Sewer	98,500	111,712	13,212

Disclosure is presented at the fund level due to the impracticality of determining item level amounts.

- ii.* The Village did not approve permanent appropriations for the year ended December 31, 2005 in noncompliance with Ohio Revised Code Section 5705.38.
- iii.* The Village did not certify expenditures in a timely manner for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.41(D).
- iv.* The following fund had appropriations in excess of estimated resources for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.39:

<u>2006</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
<u>Fund Type</u>			
General Fund	\$ 760,897	\$ 683,880	\$ 77,017
<u>2005</u>			
<u>Fund Type</u>			
General Fund	\$ 382,291	\$ 306,878	\$ 75,413

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the Village's operating transfers for 2006 and 2005:

<u>2006</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,343
<u>Debt Service Funds:</u>		
General Obligation Debt Service	-	9,660
Debt Service Reserve	<u>9,660</u>	<u>-</u>
Total Debt Service Funds	<u>9,660</u>	<u>9,660</u>
<u>Enterprise Funds:</u>		
Sewer	<u>2,343</u>	<u>-</u>
Total	<u>\$ 12,003</u>	<u>\$ 12,003</u>
<u>2005</u>		
<u>Debt Service Funds:</u>		
General Obligation Debt Service	\$ -	\$ 9,660
Debt Service Reserve	<u>9,660</u>	<u>-</u>
Total	<u>\$ 9,660</u>	<u>\$ 9,660</u>

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 7 - LOCAL INCOME TAX

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

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

NOTE 8 - DEBT OBLIGATIONS

At December 31, 2006 and 2005, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/06</u>	<u>Balance at 12/31/05</u>
2001 United States Department of Agriculture (USDA) Rural Development, Sanitary Sewer System Mortgage Revenue Bonds, due in annual installments of varying amounts through 2041, bearing interest at 4.75%.	\$ 1,632,100	\$ 1,650,300
2004 note for the purchase of a 2005 Dodge Ram truck. The loan will be paid in monthly installments for 5 years at \$551 per month.	<u>18,633</u>	<u>24,394</u>
Total	<u>\$ 1,650,733</u>	<u>\$ 1,674,694</u>

Transactions for the years ended December 31, 2006 and 2005 are summarized as follows:

<u>2006</u>	<u>Balance at 12/31/05</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/06</u>
2001 USDA	\$ 1,650,300	\$ -	\$ (18,200)	\$ 1,632,100
2004 Note	<u>24,394</u>	<u>-</u>	<u>(5,761)</u>	<u>18,633</u>
Total	<u>\$ 1,674,694</u>	<u>\$ -</u>	<u>\$ (23,961)</u>	<u>\$ 1,650,733</u>

<u>2005</u>	<u>Restated Balance at 01/01/05</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/05</u>
2001 USDA	\$ 1,667,600	\$ -	\$ (17,300)	\$ 1,650,300
2004 Note	<u>29,935</u>	<u>-</u>	<u>(5,541)</u>	<u>24,394</u>
Total	<u>\$ 1,697,535</u>	<u>\$ -</u>	<u>\$ (22,841)</u>	<u>\$ 1,674,694</u>

The 2005 outstanding amount is being restated for the Dodge Ram truck note.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 8 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2006 are as follows:

Year Ending December 31,	USDA BONDS		2004 Truck Note	
	Principal	Interest	Principal	Interest
2007	\$ 19,000	\$ 77,391	\$ 5,989	\$ 621
2008	19,900	76,536	6,227	316
2009	20,900	75,639	6,417	135
2010	21,900	74,698	-	-
2011	22,900	73,712	-	-
2012 - 2016	131,900	352,003	-	-
2017 - 2021	166,400	319,085	-	-
2022 - 2026	209,900	277,361	-	-
2027 - 2031	264,600	224,476	-	-
2032 - 2036	333,800	157,446	-	-
2037 - 2041	420,900	74,887	-	-
Total	<u>\$ 1,632,100</u>	<u>\$ 1,783,234</u>	<u>\$ 18,633</u>	<u>\$ 1,072</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

For the years ended December 31, 2006 and 2005 the Village maintained a separate "Reserve Fund" and a "Sinking Fund" in compliance with the USDA mortgage revenue bond debt covenants. The Village debt service fund receives a portion of the sewer receipts that is specified by Village ordinance to be allocated to the "Sinking Fund" for the annual principal and interest due to be paid. Monies are also maintained in this fund for the required monthly payments of \$805.03 which are subsequently transferred to the "Reserve Fund". The years ended December 31, 2006 and 2005 were properly funded; however, the Village is required by the debt covenant to have \$57,960 in the "Reserve Fund" at December 31, 2006. At December 31, 2006 the Village had \$33,063.

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 2006 and 2005, OPERS members contributed 9% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.70% of participants' gross salaries for 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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.

NOTE 13 - SUBSEQUENT EVENTS

Effective October 8, 2006, Jeff Pearson was terminated as Fiscal Officer. Scott Love was appointed the interim Fiscal Officer until February 26, 2007 when Shirley Roskoski was appointed Fiscal Officer.



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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, Delaware County, Ohio, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 3, 2007, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of 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 significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Shawnee Hills' ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village of Shawnee Hills' financial statements that is more than inconsequential will not be prevented or detected by the Village of Shawnee Hills' internal control.

We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2006-VOSH-002, 2006-VOSH-003, 2006-VOSH-004 and 2006-VOSH-012.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Shawnee Hills' internal control.

Members of Council and Mayor
Village of Shawnee Hills

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-VOSH-002, 2006-VOSH-003, 2006-VOSH-004 and 2006-VOSH-012 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Shawnee Hills' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed eight instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2006-VOSH-001, 2006-VOSH-005, 2006-VOSH-006, 2006-VOSH-007, 2006-VOSH-008 and 2006-VOSH-009, 2006-VOSH-010 and 2006-VOSH-11.

We noted certain matters that we reported to the Village of Shawnee Hills management in a separate letter dated August 3, 2007.

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

This report is intended 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 those specified.



Julian & Grube, Inc.
August 3, 2007

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2006-VOSH-001

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, 2006 and 2005 the Village maintained a separate “Reserve Fund” and a “Sinking Fund” in compliance with the USDA mortgage revenue bond debt covenants. The Village debt service fund receives a portion of the sewer receipts that is specified by Village ordinance to be allocated to fund the annual principal and interest. Monies are also maintained in this fund for the monthly payments of \$805.03 required to be placed in the “Reserve Fund”. The years ended December 31, 2006 and 2005 were properly funded; however, the Village is required by covenant to have \$57,960 in the “Reserve Fund” at December 31, 2006. At December 31, 2006 the Village had \$33,063. 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.

We recommend the Village comply with all debt covenants contained in the debt agreement.

Client Response: The Fiscal Officer is attempting to transfer the deficient amount of funds required to be accumulated at December 31, 2006 in accordance with to the debt covenants.

Finding Number	2006-VOSH-002
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Significant Deficiency/Material Weakness

Based upon the results of observations made during our audit, we noted the Village had receipts and disbursements that were posted incorrectly in accordance with the Village handbook.

In general, an accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

The following funds had reclass audit adjustments for the years ended December 31, 2006 and 2005 in varying amounts: General, Fire, Street, Debt Services, Sewer and State Highway.

We strongly suggest that the Village seriously consider creating an accounting and information environment that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Village in the future. This may require and be achieved by additional training for the Fiscal Officer.

Client Response: The Village has installed the Uniform Accounting Network which is administered by the Ohio State Auditor’s Office and is currently processing its 2007 financial information on the Uniform Accounting Network.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOSH-003

Significant Deficiency/Material Weakness

Record Storage and Retrieval

It was noted during the audit that the accounting records frequently could not be located when needed. The causes of the problem were numerous:

- Lack of a clearly specified system for filing records
- Failure of those who removed records from the files to indicate who took the record
- Failure to return the record to the files or misfiling it when it was returned
- Lack of specific policies for removing prior year records from the files to a designated storage space

The result was that employees spent nonproductive time searching for needed documents. The condition could also present problems when auditors or government agencies need documentations in support of tax returns and other reports subject to audit. We recommend the following steps be taken:

- Decide on a systematic manner of filing documents, e.g., monthly folders consisting of vendor bills filed in numeric order, receipts filed in numeric order, all approved bank statements and reconciliations with all attached supporting documentation, etc.
- Describe the system in the accounting manual or post a description on the filing cabinets or storage room so employees will know how to find and refile documents
- Institute use of sign-out cards to be filled out when a document is removed from a file, showing who took the record.
- Establish a policy in accordance with the Ohio Revised Code specifying which records should be retained permanently, which records should be kept only for a given period before being destroyed, and how long the period of time should be for the various documents' termination.
- Decide when unneeded records should be removed to other storage areas to create room for needed records.
- Assign personnel the responsibility of periodically cleaning out the files in accordance with the established policy.

Implementation and communication of the above will enable the Village to operate more effectively and efficiently.

Client Response: The Village is currently working on correcting and improving their storage and retrieval internal controls.

Finding Number	2006-VOSH-004
----------------	---------------

Significant Deficiency/Material Weakness

Time Sheets

Timesheets were not consistently signed by the employee and or approved by their immediate supervisor prior to processing for payment.

We examined 22 and 21 timesheets for the years ended December 31, 2006 and 2005, respectively, of those, 0 and 0, respectively, were not signed by the employee and/or approved by their immediate supervisor.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOSH-004 - (Continued)

We recommend that the Village implement policies and procedures requiring that all timesheets are properly approved by the employee and their immediate supervisor prior to processing for payment.

Client Response The Village is currently working on a policy to address this issue.

Finding Number	2006-VOSH-005
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village Fiscal Officer issued purchase orders; however, disbursements were dated prior to the certificate or were not issued at all, for the years ended December 31, 2006 and 2005. In most cases, no certifications were issued.

Without timely certification, the Village may expend more funds than available in the treasury, or in the process of collection or than funds appropriated by the Village Council, which could potentially lead to negative fund balances. In addition, the Village may make unnecessary purchases.

We recommend that the Village Fiscal Officer timely certify its disbursements, to lessen the risk that monies expended are not lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then" and "Now" certificates where applicable.

Client Response: The Village now issues clerk certificates for Village expenditures.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOSH-006

Ohio Rev. Code Sections 145.01 and 145.03 defines what a public employee is and what exemptions are available to a public employee not to participate in the Ohio Public Employees Retirement System (OPERS).

These sections require governments to enroll their employees in the OPERS, and to withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to OPERS amounts withheld, matched with an appropriate percentage of employer matching contributions.

The Village had three employees during the audit period who were not enrolled in the OPERS. These employees were instead enrolled in the Federal Social Security System. These employees did not meet exemptions noted in Ohio Revised Code 145.03.

This could result in the Village being responsible for paying the employee and employer portion of OPERS, fines, penalties and interest on the amounts that should have been paid to OPERS and was not.

We recommend all employees of the Village be enrolled in OPERS or a proper exemption be filed with OPERS within the ninety day allotted time frame. The Village has been in contact with OPERS and currently has paid all invoices due; however, there is still due a balance of \$145.57 related to late report penalties.

Client Response: All current Village employees are enrolled in the proper retirement system. The Village has not yet been invoiced for this balance of \$145.57 related to late report penalties.

Finding Number	2006-VOSH-007
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Ohio Revised Code Section 742.35 states each employer shall pay the employer portion of the Ohio Police and Fire Pension no later than sixty days after the quarter has ended. If the payment is received after this date a penalty shall be assessed in accordance with Ohio Revised Code Section 742.352.

The Village transmitted its 2005 second quarter report sixty days past the required submission period. This resulted in the Village incurring and paying a fine to the Ohio Police and Fire Pension Fund in the amount of \$3,000 in accordance with Ohio Revised Code Section 742.35.

By not submitting the proper reports in the required time frame this could result in the Village incurring additional fines and penalties.

We recommend the Village submit the correct reports and employer withholdings to the Ohio Police and Fire Pension Fund by the required time period.

Client Response: The Village currently submits Ohio Police and Fire Pension Fund reports within the required timelines.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOSH-008

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

The Village had disbursements in excess of appropriations in the following funds:

<u>2006</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Fund Type/Fund</u>			
<u>Special Revenue Fund Types:</u>			
Street Fund	\$ 92,431	\$ 147,611	\$ 55,180
<u>Enterprise Fund Type:</u>			
Sewer	109,724	186,047	76,323
<u>2005</u>			
<u>Fund Type/Fund</u>			
<u>Debt Service Fund Type:</u>			
General Obligation Debt Service	97,000	106,171	9,171
<u>Enterprise Fund Type:</u>			
Sewer	98,500	111,712	13,212

With disbursements exceeding appropriations, the Village is spending monies that have not lawfully been appropriated by Village Council. This may result in unnecessary spending.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Village Council will attempt to pass permanent appropriations in a timely manner in accordance with the Ohio Revised Code.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOSH-009

Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

For the years ended December 31, 2006 and 2005, the Village had appropriations exceeding estimated resources in the following fund:

<u>2006</u> <u>Fund Type</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
General Fund	\$ 760,897	\$ 683,880	\$ 77,017
<u>2005</u> <u>Fund Type</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
General Fund	\$ 382,291	\$ 306,878	\$ 75,413

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Village Fiscal Officer comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Fiscal Officer is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

Finding Number	2006-VOSH-010
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The Village did not approve permanent appropriations for the year ended December 31, 2005 in noncompliance with Ohio Revised Code Section 5705.38.

The Village Council members approved temporary appropriations for the year ended December 31, 2005 however, there was no evidence of permanent appropriations approved in the minutes during 2005.

Lack of approved appropriations hinders the Village's ability to disburse monies in compliance with the Ohio Revised Code and to properly use the budgetary process as a useful management tool.

We recommend the Village Council members ensure permanent appropriations are approved and evidenced by minutes in a timely manner and at the legal level of control. This will assist the Village's management in monitoring its disbursements.

Client Response: The Village Fiscal Officer will provide the Council members with permanent appropriations for proper approval in the minutes.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOSH-011

An appropriation ledger was not maintained throughout the years ended December 31, 2006 or 2005.

The Village should not 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.

Finding Number	2006-VOSH-012
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Significant Deficiency/Material Weakness

The Village has delegated the meter reading and billing functions of its sewer system, which is a significant accounting function, to third-party administrators. The Village has not established procedures to determine whether the service organization has sufficient controls in place and which are operating effectively to reduce the risk meters are read properly or billing has been properly processed.

We recommend the Village help insure the completeness and accuracy of meter readings and billings by its third-party administrator. Statement of Auditing Standards (SAS) 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS NO. 70 should provide the Village with reasonable assurance the meters have been accurately read and the billing function was in accordance with approved rates.

We recommend the Village specify in its contract with its third-party administrators that an annual Type II SAS 70 audit be performed. The Village should be provided a copy of the SAS 70 audit report timely and should review the report's content. A SAS 70 audit should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third party administrator refuses to provide a Type II SAS 70 audit report, we recommend the Village only contract with a third-party administrator that will provide such a report.

Client Response: The Village recognizes the validity of this issue and will work with their third party administrators to ensure sufficient controls are in place in the performance of contracting their responsibilities. The Village will work with the administrators to obtain sufficient assurances of controls in the 2008/2007 audit report through a Type Two SAS 70 Report. Effective August 1, 2007, the Village has begun performing their billing functions in house.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding <i>Summary</i>	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
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.	Not corrected	Repeated as finding 2006-VOSH-008.
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.	Not corrected	Repeated as finding 2006-VOSH-005.
2004-VOSH-003	Failure to establish a reserve fund and sinking fund in noncompliance with Ohio Revised Code 5705.09.	Partially Corrected	Repeated as finding 2006-VOSH-001.
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.	Not Corrected	Repeated as finding 2006-VOSH-011.



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
NOVEMBER 13, 2007**