

VILLAGE OF SHAWNEE
PERRY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 - 2008



Mary Taylor, CPA

Auditor of State

Village Council
Village of Shawnee
P.O. Box 15
Shawnee, Ohio 43782

We have reviewed the *Independent Accountants' Report* of the Village of Shawnee, Perry County, prepared by Knox & Knox, 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.

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 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

November 3, 2010

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VILLAGE OF SHAWNEE
PERRY COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Shawnee
Perry County
PO Box 15
Shawnee, OH 43782

We have audited the accompanying financial statements of the Village of Shawnee, Perry 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. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Shawnee, Perry County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 31, 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 audit.

KNOX & KNOX

Orrville, Ohio
August 31, 2010

VILLAGE OF SHAWNEE
PERRY COUNTY

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	<u>\$305,081</u>	<u>\$387,136</u>
Total Cash and Cash Equivalents	<u><u>\$305,081</u></u>	<u><u>\$387,136</u></u>
CASH FUND BALANCES		
Government Fund Types:		
General Fund	\$63,623	\$59,527
Special Revenue Funds	54,784	87,960
Permanent Funds	1,065	1,065
Capital Projects Funds	<u>34,174</u>	<u>78,097</u>
Total Government Fund Types	<u>153,646</u>	<u>226,649</u>
Proprietary Fund Types:		
Enterprise Funds	<u>151,435</u>	<u>160,487</u>
Total Proprietary Fund Types	<u>151,435</u>	<u>160,487</u>
Total Cash Fund Balances	<u><u>\$305,081</u></u>	<u><u>\$387,136</u></u>

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

VILLAGE OF SHAWNEE
PERRY 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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Permanent	Capital Projects	
CASH RECEIPTS:					
Property and Other Local Taxes	\$51,442	\$24,770		\$8,623	\$84,835
Intergovernmental Revenue	24,423	40,489			64,912
Charges for Services		10,874			10,874
Fines, Licenses, and Permits	2,976	225			3,201
Earnings on Investments	2,590				2,590
Miscellaneous	2,102	441		\$407	2,950
Total Cash Receipts	83,533	76,799		9,030	169,362
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	22,989	56,721		21,953	101,663
Public Health Services	100	6,623			6,723
Community Environment		125			125
Basic Utility Services		18,916			18,916
Transportation	1,018	22,170			23,188
General Government	43,400	3,861			47,261
Capital Outlay	11,929			31,000	42,929
Debt Service					
Redemption of Principal		3,867			3,867
Interest/Other Fiscal Charges					
Total Cash Disbursements	79,436	112,283		52,953	244,672
Total Receipts Over/(Under) Disbursements	4,097	(35,484)		(43,923)	(75,310)
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Other Financing Sources		3,808			3,808
Other Financing Uses	(1)	(1,500)			(1,501)
Total Other Financing Receipts/(Disbursements)	(1)	2,308			2,307
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,096	(33,176)		(43,923)	(73,003)
Fund Cash Balances, January 1	59,527	87,960	\$1,065	78,097	226,649
FUND CASH BALANCES, DECEMBER 31	\$63,623	\$54,784	\$1,065	\$34,174	\$153,646
Reserves for Encumbrances, December 31	\$536	\$83			\$619

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

VILLAGE OF SHAWNEE
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$225,777
Total Operating Cash Receipts	225,777
OPERATING CASH DISBURSEMENTS:	
Personal Services	23,295
Fringe Benefits	1,034
Contractual Services	105,192
Supplies and Materials	30,711
Other	18,465
Total Operating Cash Disbursements	178,697
Operating Income/(Loss)	47,080
NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS:)	
Miscellaneous	454
Redemption of Principal	(22,000)
Interest and Other Fiscal Charges	(49,731)
Other Financing Sources	15,145
Total Non-Operating Cash Receipts/(Disbursements)	(56,132)
Net Receipts Over/(Under) Disbursements	(9,052)
Fund Cash Balances, January 1	160,487
FUND CASH BALANCES, DECEMBER 31	\$151,435
Reserves for Encumbrances, December 31	\$260

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

VILLAGE OF SHAWNEE
PERRY 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

	General	Special Revenue	Permanent	Capital Projects	Totals (Memorandum Only)
CASH RECEIPTS:					
Property and Other Local Taxes	\$46,311	\$21,737		\$9,787	\$77,835
Intergovernmental Revenue	29,571	23,582		8	53,161
Charges for Services		6,738			6,738
Fines, Licenses, and Permits	25				25
Earnings on Investments	3,333		\$4		3,337
Miscellaneous	468	407			875
Total Cash Receipts	79,708	52,464	4	9,795	141,971
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	28,345	29,615		15,740	73,700
Public Health Services	316	5,661			5,977
Community Environment		605			605
Transportation	1,312	26,249			27,561
General Government	52,073	3,551			55,624
Capital Outlay				7	7
Debt Service					
Redemption of Principal		2,500		1,500	4,000
Interest/Other Fiscal Charges		183			183
Total Cash Disbursements	82,046	68,364		17,247	167,657
Total Receipts Over/(Under) Disbursements	(2,338)	(15,900)	4	(7,452)	(25,686)
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)					
Other Financing Sources	5,116	11,492		68,000	84,608
Other Financing Uses		(9,500)			(9,500)
Total Other Financing Receipts/(Disbursements)	5,116	1,992		68,000	75,108
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,778	(13,908)	4	60,548	49,422
Fund Cash Balances, January 1	56,749	101,868	1,061	17,549	177,227
FUND CASH BALANCES, DECEMBER 31	\$59,527	\$87,960	\$1,065	\$78,097	\$226,649
Reserves for Encumbrances, December 31	\$237	\$10			\$247

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

VILLAGE OF SHAWNEE
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	<u>\$231,561</u>
Total Operating Cash Receipts	<u>231,561</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	17,095
Fringe Benefits	3,010
Contractual Services	140,875
Supplies and Materials	21,396
Other	<u>17,625</u>
Total Operating Cash Disbursements	<u>200,001</u>
Operating Income/(Loss)	<u>31,560</u>
NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS):	
Earnings on Investments	127
Redemption of Principal	(20,706)
Interest and Other Fiscal Charges	(51,493)
Other Financing Sources	<u>58,758</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>(13,314)</u>
Net Receipts over/(Under) Disbursements	18,246
Fund Cash Balances, January 1	<u>142,241</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$160,487</u>
Reserves for Encumbrances, December 31	<u><u>\$66</u></u>

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

VILLAGE OF SHAWNEE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Shawnee, Perry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. . The Village provides water and sewer utilities, maintenance of Village streets and highways, and police and fire services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool. Note 8 to the financial statements provides additional information for this entity.

Public Entity Risk Pool: The Ohio Municipal Joint Self-Insurance Pool in a unincorporated, non-profit association which is deemed a separate legal entity pursuant to Section 2744.081 of the Ohio Revised Code.

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.

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.

VILLAGE OF SHAWNEE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

These funds 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:

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

Fire Department Fund – This fund receives tax monies assessed and levied on general assessed valuation of real and personal property for operation of the Fire Department.

3. Capital Project Funds

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

Fire Truck Levy Fund – This fund receives property tax monies. The proceeds are being used to pay for a fire truck.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Enterprise Improvement Fund - This fund received a loan and grant to update the Village's water and waste-water disposal systems.

VILLAGE OF SHAWNEE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated in the subsequent year.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

VILLAGE OF SHAWNEE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

2. EQUITY IN POOLED CASH (continued)

	2009	2008
Demand deposits	\$274,695	\$356,750
Certificates of deposit	30,386	30,386
Total deposits and investments	\$305,081	\$387,136

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, collateralized by the financial institution's public entity deposit pool, or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

Fund Type	2009 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$72,500	\$ 83,533	\$11,033
Special Revenue	146,616	80,607	(66,009)
Capital Projects	9,710	9,030	(680)
Enterprise	342,500	241,376	(101,124)
Permanent	10		(10)
Total	\$571,336	\$414,546	(\$156,790)

Fund Type	2009 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,023	\$79,973	\$27,050
Special Revenue	223,310	113,866	109,444
Capital Projects	57,500	52,953	4,547
Enterprise	409,753	250,688	159,065
Permanent	10		10
Total	\$797,596	\$497,480	\$300,116

Fund Type	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$75,000	\$84,824	\$9,824
Special Revenue	74,500	63,956	(10,544)
Capital Projects	10,000	77,795	67,795
Enterprise	341,510	290,446	(51,064)
Permanent	10	4	(6)
Total	\$501,020	\$517,025	\$16,005

VILLAGE OF SHAWNEE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

3. BUDGETARY ACTIVITY (continued)

Fund Type	2008 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,204	\$82,283	\$29,921
Special Revenue	172,689	77,874	94,815
Capital Projects	26,500	17,247	9,253
Enterprise	410,412	272,266	138,146
Permanent	10		10
Total	\$721,815	\$449,670	\$272,145

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. If the property owner elects to make semiannual payments for first half is due 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 tax is assessed by the property owner, 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

In 2000, the Village financed a water collection system through the Ohio Public Works Commission. The amount borrowed was \$84,500 to be repaid in annual installments of \$4,225. The loan is interest-free.

In 2004, the Village issued \$1,146,000 First Mortgage Revenue Bonds to the United States Department of Agriculture (USDA) to refinance temporary financing received from the Ohio Water Development Authority (OWDA). The bonds bear per annum interest of 4.375% with interest only payments in 2005 and 2008, and annual principal and interest payment thereafter until 2044. The Village also received grants of \$434,088 and \$25,700 in 2004 and 2005, respectively, which were used to pay-off debt to OWDA.

In 2006, the Village borrowed \$74,383 from OWDA with a per annum interest rate of 1%, to be repaid in 20 annual installments.

VILLAGE OF SHAWNEE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

5. DEBT (continued)

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

USDA	\$1,108,000
OPWC	40,138
OWDA	<u>71,973</u>
Total	<u><u>1,220,111</u></u>

Years Ending December 31:	USDA		
	Principal	Interest	Payment
2010	\$14,000	\$47,250	\$61,250
2011	15,000	46,550	61,550
2012	15,000	45,894	60,894
2013	16,000	45,150	61,150
2014	17,000	44,363	61,363
2015-2019	95,000	209,344	304,344
2020-2024	115,000	185,063	300,063
2025-2029	145,000	154,831	299,831
2030-2034	179,000	117,206	296,206
2035-2039	222,000	70,613	292,613
2040-2044	<u>275,000</u>	<u>15,705</u>	<u>290,705</u>
	<u><u>\$1,108,000</u></u>	<u><u>\$981,969</u></u>	<u><u>\$2,089,969</u></u>

Years Ending December 31:	OPWC		
	Principal	Interest	Payment
2010	\$2,113		\$2,113
2011	4,225		4,225
2012	4,225		4,225
2013	4,225		4,225
2014	4,225		4,225
2015-2019	<u>21,125</u>		<u>21,125</u>
	<u><u>\$40,138</u></u>		<u><u>\$40,138</u></u>

Years Ending December 31:	OWDA		
	Principal	Interest	Payment
2008	\$3,496	\$728	\$4,224
2009	3,531	693	4,224
2010	3,567	657	4,224
2011	3,602	622	4,224
2012	3,638	586	4,224
2013-2017	18,745	2,375	21,120
2018-2022	19,701	1,419	21,120
2023-2027	<u>15,693</u>	<u>413</u>	<u>16,106</u>
	<u><u>\$71,973</u></u>	<u><u>\$7,493</u></u>	<u><u>\$79,466</u></u>

VILLAGE OF SHAWNEE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

6. OBLIGATIONS UNDER CAPITAL LEASE

In June, 2006, the Village entered into a "lease with option to buy" agreement for \$55,099 to procure a backhoe. The lease will be paid in five annual installments ending June 5, 2011.

2010	\$12,867
2011	<u>12,867</u>
	25,734
Less imputed interest	<u>(1,944)</u>
	<u><u>\$23,790</u></u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution . For 2009 and 2008, OPERS members 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 is a member of the Ohio Municipal Joint Self-Insurance Pool (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool covers the following risks:

- General liability and casualty;
- Bodily injury and property damage;
- Law enforcement liability;
- Fire damage;
- Personal injury; and
- Public officials liability.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2008 (the last audited period):

	<u>2008</u>
Cash and Investments	\$2,552,519
Actuarial liabilities	2,814,306

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KNOX & KNOX

Accountants and Consultants

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

Village of Shawnee
Perry County
PO Box 15
Shawnee, OH 43782

To the Village Council:

We have audited the accompanying financial statements of the Village of Shawnee , Perry County. (the Village) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated August 31, 2010, wherein we noted that the Village prepared its financial statements using accounting principles the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*..

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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

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objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 31, 2010.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
August 31, 2010

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Mary Taylor, CPA
Auditor of State

VILLAGE OF SHAWNEE

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 16, 2010