



**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015



Dave Yost • Auditor of State

VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY

DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

Village of Shawnee Hills
Delaware County
9484 Dublin Road
Shawnee Hills, Ohio 43065

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Shawnee Hills, Delaware County, (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Shawnee Hills, Delaware County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 13, 2017

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$73,715	\$264,986	\$0	\$338,701
Municipal Income Tax	509,850	0	0	509,850
Intergovernmental	34,615	65,778	12,500	112,893
Charges for Services	6,865	800	0	7,665
Fines, Licenses and Permits	85,260	5,803	0	91,063
Earnings on Investments	288	85	0	373
Miscellaneous	21,022	2,984	0	24,006
<i>Total Cash Receipts</i>	<u>731,615</u>	<u>340,436</u>	<u>12,500</u>	<u>1,084,551</u>
Cash Disbursements				
Current:				
Security of Persons and Property	347,238	145,893	0	493,131
Leisure Time Activities	0	895	0	895
Community Environment	87,502	0	0	87,502
Transportation	0	22,939	0	22,939
General Government	268,471	9,234	0	277,705
Capital Outlay	0	197,494	0	197,494
Debt Service:				
Principal Retirement	30,009	7,385	12,500	49,894
Interest and Fiscal Charges	13,662	494	0	14,156
<i>Total Cash Disbursements</i>	<u>746,882</u>	<u>384,334</u>	<u>12,500</u>	<u>1,143,716</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,267)</u>	<u>(43,898)</u>	<u>0</u>	<u>(59,165)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	3,040	0	3,040
Transfers Out	(1,520)	(1,520)	0	(3,040)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,520)</u>	<u>1,520</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(16,787)</u>	<u>(42,378)</u>	<u>0</u>	<u>(59,165)</u>
<i>Fund Cash Balances, January 1</i>	<u>260,562</u>	<u>300,935</u>	<u>0</u>	<u>561,497</u>
Fund Cash Balances, December 31				
Restricted	0	248,307	0	248,307
Committed	0	10,250	0	10,250
Assigned	47,258	0	0	47,258
Unassigned (Deficit)	196,517	0	0	196,517
<i>Fund Cash Balances, December 31</i>	<u>\$243,775</u>	<u>\$258,557</u>	<u>\$0</u>	<u>\$502,332</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$352,809	\$0	\$352,809
Fines, Licenses and Permits	0	31,844	31,844
<i>Total Operating Cash Receipts</i>	<u>352,809</u>	<u>31,844</u>	<u>384,653</u>
Operating Cash Disbursements			
Personal Services	24,124	0	24,124
Employee Fringe Benefits	3,724	0	3,724
Contractual Services	173,947	0	173,947
Supplies and Materials	2,793	0	2,793
Other	0	30,946	30,946
<i>Total Operating Cash Disbursements</i>	<u>204,588</u>	<u>30,946</u>	<u>235,534</u>
<i>Operating Income (Loss)</i>	<u>148,221</u>	<u>898</u>	<u>149,119</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	312	0	312
Other Debt Proceeds	1,284,500	0	1,284,500
Principal Retirement	(1,386,525)	0	(1,386,525)
Interest and Other Fiscal Charges	(54,739)	0	(54,739)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(156,452)</u>	<u>0</u>	<u>(156,452)</u>
<i>Income (Loss) before Transfers</i>	<u>(8,231)</u>	<u>898</u>	<u>(7,333)</u>
Transfers In	15,000	0	15,000
Transfers Out	(15,000)	0	(15,000)
<i>Net Change in Fund Cash Balances</i>	<u>(8,231)</u>	<u>898</u>	<u>(7,333)</u>
<i>Fund Cash Balances, January 1</i>	<u>372,373</u>	<u>1,650</u>	<u>374,023</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$364,142</u></u>	<u><u>\$2,548</u></u>	<u><u>\$366,690</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$71,914	\$252,754	\$0	\$324,668
Municipal Income Tax	677,229	0	0	677,229
Intergovernmental	29,841	64,576	511,065	605,482
Fines, Licenses and Permits	67,048	3,503	0	70,551
Earnings on Investments	51	22	0	73
Miscellaneous	10,155	0	0	10,155
<i>Total Cash Receipts</i>	<u>856,238</u>	<u>320,855</u>	<u>511,065</u>	<u>1,688,158</u>
Cash Disbursements				
Current:				
Security of Persons and Property	313,933	144,326	0	458,259
Community Environment	111,698	0	0	111,698
Transportation	16,434	26,834	0	43,268
General Government	258,288	11,123	0	269,411
Capital Outlay	0	11,985	766,835	778,820
Debt Service:				
Principal Retirement	31,814	9,367	90,066	131,247
Interest and Fiscal Charges	14,358	431	0	14,789
<i>Total Cash Disbursements</i>	<u>746,525</u>	<u>204,066</u>	<u>856,901</u>	<u>1,807,492</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>109,713</u>	<u>116,789</u>	<u>(345,836)</u>	<u>(119,334)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds	0	0	250,000	250,000
Transfers In	0	63,000	0	63,000
Transfers Out	(63,000)	0	0	(63,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(63,000)</u>	<u>63,000</u>	<u>250,000</u>	<u>250,000</u>
<i>Net Change in Fund Cash Balances</i>	46,713	179,789	(95,836)	130,666
<i>Fund Cash Balances, January 1</i>	<u>213,849</u>	<u>121,146</u>	<u>95,836</u>	<u>430,831</u>
Fund Cash Balances, December 31				
Restricted	0	295,864	0	295,864
Committed	0	5,071	0	5,071
Assigned	20,253	0	0	20,253
Unassigned (Deficit)	240,309	0	0	240,309
<i>Fund Cash Balances, December 31</i>	<u>\$260,562</u>	<u>\$300,935</u>	<u>\$0</u>	<u>\$561,497</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$328,217	\$0	\$328,217
Fines, Licenses and Permits	0	43,590	43,590
<i>Total Operating Cash Receipts</i>	<u>328,217</u>	<u>43,590</u>	<u>371,807</u>
Operating Cash Disbursements			
Personal Services	23,633	0	23,633
Employee Fringe Benefits	3,672	0	3,672
Contractual Services	170,713	0	170,713
Supplies and Materials	8,017	0	8,017
Other	0	45,567	45,567
<i>Total Operating Cash Disbursements</i>	<u>206,035</u>	<u>45,567</u>	<u>251,602</u>
<i>Operating Income (Loss)</i>	<u>122,182</u>	<u>(1,977)</u>	<u>120,205</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	673	0	673
Principal Retirement	(69,625)	0	(69,625)
Interest and Other Fiscal Charges	(68,517)	0	(68,517)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(137,469)</u>	<u>0</u>	<u>(137,469)</u>
<i>Income (Loss) before Transfers</i>	<u>(15,287)</u>	<u>(1,977)</u>	<u>(17,264)</u>
Transfers In	40,000	0	40,000
Transfers Out	(40,000)	0	(40,000)
<i>Net Change in Fund Cash Balances</i>	<u>(15,287)</u>	<u>(1,977)</u>	<u>(17,264)</u>
<i>Fund Cash Balances, January 1</i>	<u>387,660</u>	<u>3,627</u>	<u>391,287</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$372,373</u></u>	<u><u>\$1,650</u></u>	<u><u>\$374,023</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 Hills, Delaware County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, general government services, park operations, and police services. The Village contracts with Concord Township to receive fire protection services.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP) – A public entity risk pool that jointly administered self-insurance risk management program and other administrative services to Ohio governments.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Village's accounting basis includes deposits as assets.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 Levy Fund – This fund receives real estate property tax money for providing fire protection for the Village. This service is contracted out to Concord Township.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Other Capital Projects Fund- Intersection – This fund receives monies to assist in the Dublin Rd/ Glick Rd. intersection project

4. 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:

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

Enterprise Debt Service Fund – This fund is used to accumulate resources for the payment of the Sanitary Sewer System bonds.

5. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for monies from collections of fines imposed from tickets issued by the Village's police force.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 Deposits

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

	<u>2015</u>	<u>2016</u>
Demand Deposits	<u>935,520</u>	<u>869,022</u>

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

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$731,547	\$731,615	\$68
Special Revenue	346,258	343,476	(2,782)
Capital Projects	0	12,500	12,500
Enterprise	1,653,070	1,652,621	(449)
Total	<u>\$2,730,875</u>	<u>\$2,740,212</u>	<u>\$9,337</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$887,761	\$795,660	\$92,101
Special Revenue	592,363	386,293	206,070
Capital Projects	0	12,500	(12,500)
Enterprise	1,684,372	1,662,337	22,035
Total	<u>\$3,164,496</u>	<u>\$2,856,790</u>	<u>\$307,706</u>

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$848,211	\$856,238	\$8,027
Special Revenue	385,033	383,855	(1,178)
Capital Projects	761,065	761,065	0
Enterprise	358,218	368,890	10,672
Total	<u>\$2,352,527</u>	<u>\$2,370,048</u>	<u>\$17,521</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$955,732	\$829,778	\$125,954
Special Revenue	451,812	204,359	247,453
Capital Projects	856,901	856,901	0
Enterprise	409,930	384,814	25,116
Total	<u>\$2,674,375</u>	<u>\$2,275,852</u>	<u>\$398,523</u>

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

4. Property Tax

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

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

5. 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 of 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 a declaration annually.

6. Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease - Ford F350 Truck	\$12,060	3.49%
Lease - Ford Interceptor	30,559	3.79%
Lease - Ford Explorer	21,820	3.59%
Ohio Public Works Commission 2011	50,636	0.00%
Ohio Public Works Commission 2012	3,234	0.00%
Ohio Public Works Commission 2014	237,500	0.00%
2016 Sanitary Sewer Refunding Bond	1,284,500	3.71%
2012 Various Purpose Bonds	353,534	2.66%
Total	<u>\$1,993,843</u>	

In November 2010, the Village entered into a capital lease agreement for a Dodge Charger. The lease agreement was for 60 months and runs through November 2015.

In November 2011, the Village entered into a capital lease agreement for a Ford Truck. The lease agreement is for 48 months and runs through November 2015.

In January 2012, the Village entered into a capital lease agreement for a Ford Explorer. The lease agreement is for 60 months and runs through December 2016.

In 2011, the Village entered into an agreement with the Director of the Ohio Public Works Commission for the Storm Water Improvement project.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

6. Debt (Continued)

In 2012, the Village entered into an agreement with the Director of the Ohio Public Works Commission for the Overlay and Berming Road Improvements project.

In 2001, the Village entered into an agreement with the United States Department of Agriculture (USDA) Rural Development for a Sanitary Sewer System. This was refinanced in August 2016 by the Village receiving Sanitary Sewer Refunding Bonds from Delaware County.

In 2012, the Village received various purpose bonds for paying for part of the cost of acquiring a building and constructing renovations on building for municipal office use.

In 2014, the Village awarded a OPWC loan for paying for part of the Dublin/Glick Rd Intersection Improvement Project in the amount of \$250,000 and proceeds were received by the Village in 2015. The loan has a 10 year term with first payment due Jul 1, 2016 and the last payment due on January 20, 2026.

In March 2015, the Village entered into a five-year lease agreement for a 2016 Ford Explorer in the amount of \$32,562. The lease has an interest rate of 3.59% with the last payment due on March 15, 2020.

In September 2015, the Village entered into a 34 month lease agreement for a 2016 Ford F-350 Truck XL Regular Cab with Salt Spreader and Snow Plow in the amount of \$19,373. The lease has an interest rate of 3.49% with the last payment due on September 1, 2018.

In September 2016, the Village entered into a 60 month lease agreement for a 2017 Ford Interceptor Police Cruiser in the amount of \$32,012. The lease has an interest rate of 3.79% with the last payment due on September 15, 2021.

In August 2016, the Village entered into an agreement with Delaware County to Refund the 2001 Sanitary sewer Bonds. The Refunding Bond has an interest rate of 3.71% with the last payment due on August 24, 2041.

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

Year ending	Capital				2016	Various
December 31:	Leases	OPWC 2011	OPWC 2012	OPWC 2014	Refunding	Purpose
					Bond	Bonds
2017	\$21,582	\$2,025	\$1,078	\$25,000	\$79,722	\$26,849
2018	19,728	2,025	1,078	25,000	79,722	29,573
2019	14,163	2,025	1,078	25,000	79,722	29,573
2020	8,820	2,025	0	25,000	79,722	29,573
2021	5,279	2,025	0	25,000	79,722	29,573
2022-2026	0	10,127	0	112,500	397,362	150,482
2027-2031	0	10,127	0	0	401,701	153,151
2032-2036	0	10,127	0	0	405,082	112,084
2037-2041	0	10,127	0	0	408,970	102,213
2042	0	0	0	0	0	20,469
Total	<u>\$69,572</u>	<u>\$50,633</u>	<u>\$3,234</u>	<u>\$237,500</u>	<u>\$2,011,725</u>	<u>\$683,540</u>

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For January 1, 2015 through June 30, 2015, OP&F participants contributed 11.5%, for July 1, 2015 through December 31, 2016, OP&F participants contributed 12.25%. For 2016 and 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2016.

	<u>2015</u>	<u>2016</u>
Assets	\$38,307,677	\$42,182,281
Liabilities	(12,759,127)	(13,396,700)
Net Position	<u>\$25,548,550</u>	<u>\$28,785,581</u>

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

8. Risk Management (Continued)

At December 31, 2015 and 2016, the liabilities above include approximately 11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$13,000.

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

<u>Contributions to PEP</u>	
<u>2015</u>	<u>2016</u>
\$20,664	\$20,238

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Subsequent Events

There are none at this time.

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Dave Yost • Auditor of State

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

Village of Shawnee Hills
Delaware County
9484 Dublin Road
Shawnee Hills, Ohio 43065

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Shawnee Hills, Delaware County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated September 13, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 13, 2017

VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Maintaining Supporting Documentation – Material Weakness / Noncompliance

Maintaining organized documentation and support for financial transactions is essential in helping to ensure Village financial statements are accurately presented. Additionally, **Ohio Rev. Code Section 149.351**, in part, requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under **Ohio Rev. Code Sections 149.38 through 149.42**.

The following issues were identified relating to the organization of financial records and the underlying documentation and support of financial transactions:

1. Fines, Licenses and Permit Fees revenue was tested and 5 out of 32 (15.6%) of transactions tested did not have a permit on file.
2. A log, record of permits, or other tracking mechanism was not maintained to document individual transactions

We performed additional procedures to confirm completeness of permits; however, failure to maintain organized underlying documentation/support or logs of transactions for financial transactions can increase the risk of fraud, inaccurate financial statements, and improper receipts.

We recommend the Village implement a control system to track and record all permits that are received by the Village. Supporting documentation should be maintained together and in an orderly manner for all financial transactions,

Officials' Response

We will do our best to keep supporting material with all permits that are receipted by the Village.

VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-002

Financial Reporting - Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to help ensure information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the Village's financial statements and accounting records, where applicable, to properly reflect receipts and expenditures:

1. In 2016 and 2015, the Village did not include the Mayor's Court financial activity on their financial statements. In 2016, an adjustment was made to the agency fund to include \$1,650 in Opening Equity and increase Cash. In 2016, another adjustment was made to the agency fund to account for all agency fund activity that increased Fines, Licenses & Permits \$2,502, and decreased Cash \$898 and increased Other Disbursements \$1,604. In 2015, an adjustment was made to the agency fund to include \$3,627 in Opening Equity and increase Cash. In 2015, another adjustment was made to the agency fund to account for all agency fund activity that decreased Cash \$1,977 and increased Fines, Licenses & Permits \$534 and increased Other Disbursements \$2,511.
2. In 2015, the Village classified \$19,323 to Security of Persons and Property, \$9,769 to Transportation, and \$17,080 to General Government in relation to debt payments made in the General Fund. These payments are reclassified as \$31,814 to Principal Retirement and \$14,358 to Interest & Other Fiscal Charges.
3. In 2015, the Village classified \$8,720 to Other Financing Uses in relation to debt payments made in the Special Revenue Funds. These payments are reclassified as \$8,289 to Principal Retirement and \$431 to Interest & Other Fiscal Charges.
4. In 2015, the Village classified \$250,000 to Intergovernmental in relation to an OPWC Loan agreement. The receipt is reclassified as \$250,000 of Loan Proceeds.
5. In 2016, the Village classified \$1,284,500 to Charges for Services in the Enterprise Fund in relation to Sanitary Sewer Refunding Bond issued. The receipt is reclassified as Debt Proceeds.

In addition, Auditor of State's Audit Bulletin 2000-008 provides guidance to cash basis entities for the accounting treatment of on behalf transactions; The Audit Bulletin states:

When a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

In 2016, the Village failed to record the \$12,500 in OPWC disbursements that were paid on behalf of the Village. The \$12,500 was posted to Intergovernmental Receipt and Principal Retirement in the Capital Projects Fund to account for the receipt and disbursement of this activity.

**VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002 (Continued)

Financial Reporting - Material Weakness (Continued)

Additionally, reclassifications were made to apply Governmental Accounting Standards Board Statement 54, an accounting standard that enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

1. In 2015, the Village misclassified the General Fund balance of \$20,253, as unassigned instead of assigned to account for yearend encumbrances in the General Fund.
2. In 2015, the Village misclassified the balances of the Park, Weed, and Veterans Memorial Funds as restricted instead of committed. The total fund balances of \$5,071 were reclassified as committed.
3. In 2016, the Village misclassified the balances of the Park, Weed, and Veterans Memorial Funds as assigned instead of committed. The total fund balances of \$10,250 were reclassified as committed.
4. In 2016, The Village misclassified the balance of the Fire Fund as assigned rather than restricted. The Fire Fund balance of \$94,033 was reclassified as restricted.

By not properly classifying transactions and fund balances, inaccurate financial reports could be disseminated to the governing board and management, as well as, financial statement readers.

The reclassifications identified should be reviewed by the Fiscal Officer to help prevent similar errors from being reported improperly on the financial statements in subsequent years. In addition, the Village Council should review the financial statements and note disclosures to help identify and correct errors and omissions.

Officials' Response

Corrections have been made for debt retirement and interest payments. The village will show the receipt and payment of the \$12,500.00 that the City of Dublin is paying for on the Village loan. Classification of funds have been corrected.

VILLAGE OF SHAWNEE HILLS
DELAWARE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Financial Reporting – Material Weakness	Not Corrected	Reissued as Finding 2016-002



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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
OCTOBER 10, 2017