



**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF FORT SHAWNEE
ALLEN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Fort Shawnee
Allen County
2050 West Breese Road
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To the Village Council:

We have audited the accompanying financial statements of the Village of Fort Shawnee, Allen County, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Village, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 1, 2002

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$58,930	\$49,349		\$41,189	\$149,468
Special Assessments			\$8,233		8,233
Intergovernmental Receipts	161,717	208,385		63,867	433,969
Fines, Licenses, and Permits	39,026	1,914			40,940
Earnings on Investments	9,575	4,888		1,539	16,002
Miscellaneous	9,712	6,796		6,070	22,578
Total Cash Receipts	<u>278,960</u>	<u>271,332</u>	<u>8,233</u>	<u>112,665</u>	<u>671,190</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	114,861	80,101			194,962
Public Health Services	12,399				12,399
Leisure Time Activities		1,486			1,486
Community Environment	2,397				2,397
Basic Utility Services	645				645
Transportation		101,909			101,909
General Government	99,303	5,345	161		104,809
Debt Service:					
Principal Payments			4,000		4,000
Interest Payments			3,952		3,952
Capital Outlay		66,621		88,633	155,254
Total Disbursements	<u>229,605</u>	<u>255,462</u>	<u>8,113</u>	<u>88,633</u>	<u>581,813</u>
Total Receipts Over/(Under) Disbursements	<u>49,355</u>	<u>15,870</u>	<u>120</u>	<u>24,032</u>	<u>89,377</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		3,501			3,501
Transfers-Out	(3,501)				(3,501)
Other Sources	17,994				17,994
Total Other Financing Receipts/(Disbursements)	<u>14,493</u>	<u>3,501</u>			<u>17,994</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>63,848</u>	<u>19,371</u>	<u>120</u>	<u>24,032</u>	<u>107,371</u>
Fund Cash Balances January 1	<u>158,111</u>	<u>125,056</u>	<u>4,303</u>	<u>29,558</u>	<u>317,028</u>
Fund Cash Balances, December 31	<u>\$221,959</u>	<u>\$144,427</u>	<u>\$4,423</u>	<u>\$53,590</u>	<u>\$424,399</u>
Reserves for Encumbrances, December 31	<u>\$225</u>	<u>\$639</u>			<u>\$864</u>

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

VILLAGE OF FORT SHAWNEE
ALLEN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$95,039</u>
Total Non-Operating Cash Receipts	<u>95,039</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>95,459</u>
Total Non-Operating Cash Disbursements	<u>95,459</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(420)
Fund Cash Balance, January 1	<u>420</u>
Fund Cash Balance, December 31	<u><u>\$0</u></u>

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

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$52,118	\$45,320		\$37,344	\$134,782
Special Assessments			\$8,901		8,901
Intergovernmental Receipts	162,635	245,746		4,028	412,409
Fines, Licenses, and Permits	29,735	1,490			31,225
Earnings on Investments	13,771	5,871		1,086	20,728
Miscellaneous	5,934	3,777			9,711
Total Cash Receipts	<u>264,193</u>	<u>302,204</u>	<u>8,901</u>	<u>42,458</u>	<u>617,756</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	107,131	92,233			199,364
Public Health Services	12,384				12,384
Leisure Time Activities		1,700			1,700
Community Environment	2,898				2,898
Basic Utility Services	382				382
Transportation		105,205			105,205
General Government	90,126		211		90,337
Debt Service:					
Principal Payments			4,000		4,000
Interest Payments			4,256		4,256
Capital Outlay	28,281	117,683		16,785	162,749
Total Disbursements	<u>241,202</u>	<u>316,821</u>	<u>8,467</u>	<u>16,785</u>	<u>583,275</u>
Total Receipts Over/(Under) Disbursements	<u>22,991</u>	<u>(14,617)</u>	<u>434</u>	<u>25,673</u>	<u>34,481</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		50,200			50,200
Transfers-Out	(50,200)				(50,200)
Other Sources	17,731				17,731
Other Uses		(1,845)			(1,845)
Total Other Financing Receipts/(Disbursements)	<u>(32,469)</u>	<u>48,355</u>			<u>15,886</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(9,478)</u>	<u>33,738</u>	<u>434</u>	<u>25,673</u>	<u>50,367</u>
Fund Cash Balances January 1	<u>167,589</u>	<u>91,318</u>	<u>3,869</u>	<u>3,885</u>	<u>266,661</u>
Fund Cash Balances, December 31	<u>\$158,111</u>	<u>\$125,056</u>	<u>\$4,303</u>	<u>\$29,558</u>	<u>\$317,028</u>
Reserves for Encumbrances, December 31		<u>\$3,786</u>			<u>\$3,786</u>

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

VILLAGE OF FORT SHAWNEE
ALLEN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$63,464</u>
Total Non-Operating Cash Receipts	<u>63,464</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>63,044</u>
Total Non-Operating Cash Disbursements	<u>63,044</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	420
Fund Cash Balance, January 1	<u>0</u>
Fund Cash Balance, December 31	<u><u>\$420</u></u>
Reserve for Encumbrances, December 31	<u><u> </u></u>

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

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fort Shawnee, Allen County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a charter form of government. The Charter established the legislative powers to be vested in a council of seven members to be elected at large by the voters, for four-year terms. The fiscal officer (Finance Director) is appointed by the Council. The Village provides general governmental services, park operations (leisure time activities), and police services. Shawnee Township provides fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, 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. Cash and Investments

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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Contract Police Fund- This fund receives money collected by a tax levy from Shawnee Township for a police protection agreement.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service fund:

Bond Retirement Fund - Used for the accumulation of resources for retirement of a 1989 waterline improvement bond issue.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project fund:

Capital Improvements Fund - This fund receives monies from a tax levy specifically for the upkeep of roads and streets.

5. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Water Fund - The City of Lima collects and forwards to the Village the charges collected for the water used by Village residents. In turn, the Village remits to the City of Lima, the charges which have been collected.

Mayor's Court - This fund receives and disburses fines and court costs collected by the Mayor's Court. At year end the Mayor's Court is appended to and reported within the financial statements.

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 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.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio Law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. 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 cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ 74,061	\$ 43,628
Investments:		
STAR Ohio	<u>350,338</u>	<u>273,820</u>
Total deposits and investments	<u>\$ 424,399</u>	<u>\$ 317,448</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 242,021	\$ 296,954	\$ 54,933
Special Revenue	254,589	274,833	20,244
Debt Service	8,200	8,233	33
Capital Projects	101,500	112,665	11,165
Fiduciary	95,119	95,039	(80)
Total	<u>\$ 701,429</u>	<u>\$ 787,724</u>	<u>\$ 86,295</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 400,131	\$ 233,331	\$ 166,800
Special Revenue	379,644	256,101	123,543
Debt Service	12,505	8,113	4,392
Capital Projects	131,058	88,633	42,425
Fiduciary	95,539	95,459	80
Total	<u>\$ 1,018,877</u>	<u>\$ 681,637</u>	<u>\$ 337,240</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 240,884	\$ 281,924	\$ 41,040
Special Revenue	334,625	352,404	17,779
Debt Service	8,150	8,901	751
Capital Projects	116,875	42,458	(74,417)
Fiduciary	84,596	63,464	(21,132)
Total	<u>\$ 785,130</u>	<u>\$ 749,151</u>	<u>\$ (35,979)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 408,442	\$ 291,402	\$ 117,040
Special Revenue	416,913	322,452	94,461
Debt Service	12,020	8,467	3,553
Capital Projects	119,560	16,785	102,775
Fiduciary	84,596	63,044	21,552
Total	<u>\$ 1,041,531</u>	<u>\$ 702,150</u>	<u>\$ 339,381</u>

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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 payment, the 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 owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2001, was as follows:

	Principal	Interest Rate
Water Line Construction Bond	\$48,000	8%

The Water Line Construction Bonds were issued for the purpose of constructing a water line connecting the exiting City of Lima water line to the water distribution system in the Highland Green subdivision. The bonds will be redeemed through the proceeds of special assessments levied against the benefitted property owners. The bonds are to be retired on a serial basis through 2009.

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

Year ending December 31:	Water Line Construction Bond
2002	\$7,648
2003	8,344
2004	7,964
2005	8,584
2006	8,128
Subsequent	25,420
Total	\$66,088

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. CONDUIT DEBT

In 2000, the Village issued health care facilities revenue bonds in the amount of \$7,000,000, to provide financial assistance to the Lima Memorial Project for the acquisition, construction, renovating, and equipping of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying loan or lease and the trust agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to Lima Memorial Hospital. The Village is not obligated in any way to pay the debt and related charges on revenue bonds from any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2001, the principal amount payable on these bonds is \$7,000,000.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement 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 2001 and 2000, members of PFDPF contributed 10 percent of their wages to the PFDPF. The Village contributed an amount equal to 19.5 percent of police participant wages. For 2001 and 2000, PERS members contributed 8.5 percent of their gross salaries. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13 percent effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK POOL MEMBERSHIP

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**VILLAGE OF FORT SHAWNEE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK POOL MEMBERSHIP (Continued)

B. Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

C. Financial Position

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

Casualty Coverage	2000	1999
Assets	\$17,112,129	\$15,295,389
Liabilities	<u>7,715,035</u>	<u>6,636,543</u>
Retained earnings	<u>\$9,397,094</u>	<u>\$8,658,846</u>
Property Coverage	2000	1999
Assets	\$1,575,614	\$1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained earnings	<u>\$1,294,053</u>	<u>\$838,351</u>

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

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Fort Shawnee, Allen County, (the Village), as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated April 1, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-30202-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 1, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 1, 2002.

Village of Fort Shawnee
Allen County
Report of Independent Accountants on Compliance and
on Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 1, 2002

VILLAGE OF FORT SHAWNEE
ALLEN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30202-001

Ohio Revised Code Section 5705.41(D), states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance.

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant ("then and now"). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Proper certification was not obtained for forty percent of the expenditure transactions (the date of the invoice preceded the date of the certification). There was evidence that the Council approved the expenditures by formal resolution within thirty days, however, there was no evidence of certification that funds were available at the time of making the obligation and at the time of payment ("then and now"),

The lack of proper certification could result in the obligation of funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations. Procedures should be established for obtaining certification prior to incurring an obligation, or for subsequent certification and approval as provided by the exception noted above.



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OFFICE OF THE AUDITOR

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VILLAGE OF FORT SHAWNEE

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2002**