



**Auditor of State  
Betty Montgomery**



VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type- For the Year Ended December 31, 2003 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2002 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	18

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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 2003 and 2002. 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, 2003 and 2002, 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 August 20, 2004, 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.

Village of Fort Shawnee  
Allen County  
Independent Accountants' Report  
Page 2

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 20, 2004

**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, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$61,753	\$51,806		\$43,324	\$156,883
Special Assessments			\$8,184		8,184
Intergovernmental Receipts	163,443	215,593		4,891	383,927
Fines, Licenses, and Permits	44,405	2,247			46,652
Earnings on Investments	3,321	1,122		737	5,180
Miscellaneous	5,695	437		129	6,261
<b>Total Cash Receipts</b>	<b>278,617</b>	<b>271,205</b>	<b>8,184</b>	<b>49,081</b>	<b>607,087</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	145,492	93,083			238,575
Public Health Services	13,571				13,571
Leisure Time Activities	1,228	5,385			6,613
Community Environment	2,213				2,213
Basic Utility Services	776				776
Transportation		122,894			122,894
General Government	100,768	4,108	164	797	105,837
Debt Service:					
Principal Payments			5,000		5,000
Interest Payments			3,344		3,344
Capital Outlay	3,665	34,978		112,721	151,364
<b>Total Cash Disbursements</b>	<b>267,713</b>	<b>260,448</b>	<b>8,508</b>	<b>113,518</b>	<b>650,187</b>
Total Receipts Over/(Under) Disbursements	10,904	10,757	(324)	(64,437)	(43,100)
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		1,574			1,574
Transfers-Out	(1,574)				(1,574)
Other Financing Sources	18,268				18,268
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>16,694</b>	<b>1,574</b>			<b>18,268</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	27,598	12,331	(324)	(64,437)	(24,832)
Fund Cash Balances, January 1	242,645	120,823	5,179	70,126	438,773
<b>Fund Cash Balances, December 31</b>	<b>\$270,243</b>	<b>\$133,154</b>	<b>\$4,855</b>	<b>\$5,689</b>	<b>\$413,941</b>
Reserves for Encumbrances, December 31	\$2,409	\$833	\$0	\$0	\$3,242

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

VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Other Financing Sources(Uses)</b>	
Other Financing Sources	\$83,473
Other Financing Uses	<u>(83,193)</u>
Net Receipts Over/(Under) Disbursements	280
Fund Cash Balances, January 1	<u>630</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$910</u></u></b>

*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, 2002**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$59,699	\$49,797		\$41,557	\$151,053
Special Assessments			\$8,588		8,588
Intergovernmental Receipts	144,507	226,732		64,145	435,384
Fines, Licenses, and Permits	49,927	2,905			52,832
Earnings on Investments	5,053	2,078		1,060	8,191
Miscellaneous	3,343	774			4,117
<b>Total Cash Receipts</b>	<b>262,529</b>	<b>282,286</b>	<b>8,588</b>	<b>106,762</b>	<b>660,165</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	121,926	122,456			244,382
Public Health Services	13,174				13,174
Leisure Time Activities		1,240			1,240
Community Environment	2,028				2,028
Basic Utility Services					
Transportation		110,363			110,363
General Government	101,379	4,972	186		106,537
Debt Service:					
Principal Payments			4,000		4,000
Interest Payments			3,648		3,648
Capital Outlay	17,199	69,542		90,226	176,967
<b>Total Cash Disbursements</b>	<b>255,706</b>	<b>308,573</b>	<b>7,834</b>	<b>90,226</b>	<b>662,339</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>6,823</b>	<b>(26,287)</b>	<b>754</b>	<b>16,536</b>	<b>(2,174)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		2,686			2,686
Transfers-Out	(2,686)				(2,686)
Other Financing Sources	16,547				16,547
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>13,861</b>	<b>2,686</b>			<b>16,547</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,684	(23,601)	754	16,536	14,373
Fund Cash Balances, January 1	221,961	144,424	4,425	53,590	424,400
<b>Fund Cash Balances, December 31</b>	<b>\$242,645</b>	<b>\$120,823</b>	<b>\$5,179</b>	<b>\$70,126</b>	<b>\$438,773</b>
Reserves for Encumbrances, December 31	\$1,531	\$0	\$0	\$0	\$1,531

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

**VILLAGE OF FORT SHAWNEE**  
**ALLEN COUNTY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Other Financing Sources(Uses)</b>	
Other Financing Sources	\$86,226
Other Financing Uses	(85,596)
Net Receipts Over/(Under) Disbursements	630
Fund Cash Balances, January 1	_____
<b>Fund Cash Balances, December 31</b>	<b>\$630</b>

*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, 2003 AND 2002**

**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.

**VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

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:

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

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

**COPS Levy Fund**- This fund receives money collected by a voted tax levy to provide police protection in the Village.

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds 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 funds:

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

**Issue Two Fund** - This fund receives monies from a state project pool specifically for the upkeep of specified Village infrastructure.

**5. Fiduciary Funds (Agency Funds)**

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 Collection 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.

**VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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 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 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 2003 and 2002 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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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:

	<b>2003</b>	<b>2002</b>
Deposits:		
Demand Deposits	\$60,041	\$27,838
Investments:		
STAR Ohio	354,810	411,565
Total deposits and investments	<u>\$414,851</u>	<u>\$439,403</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**2003 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$227,000	\$296,885	\$69,885
Special Revenue	265,582	272,779	7,197
Debt Service	8,300	8,184	(116)
Capital Projects	50,500	49,081	(1,419)
Agency	95,000	83,473	(11,527)
Total	<u>\$646,382</u>	<u>\$710,402</u>	<u>\$64,020</u>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$469,645	\$271,696	\$197,949
Special Revenue	386,405	261,281	125,124
Debt Service	13,479	8,508	4,971
Capital Projects	120,626	113,518	7,108
Agency	95,630	83,193	12,437
Total	<u>\$1,085,785</u>	<u>\$738,196</u>	<u>\$347,589</u>

**VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2002 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$246,165	\$279,076	\$32,911
Special Revenue	260,658	284,972	24,314
Debt Service	8,200	8,588	388
Capital Projects	109,458	106,762	(2,696)
Agency	114,840	86,226	(28,614)
Total	\$739,321	\$765,624	\$26,303

<b>2002 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$468,151	\$259,923	\$208,228
Special Revenue	409,557	308,573	100,984
Debt Service	12,625	7,834	4,791
Capital Projects	163,048	90,226	72,822
Agency	114,840	85,596	29,244
Total	\$1,168,221	\$752,152	\$416,069

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of the availability of funds was not obtained prior to commitments being made.

**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.

**VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Water Line Construction Bond	\$39,000	7.60%

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 benefited 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:

<b>Year ending December 31:</b>	<b>Water Line Construction Bond</b>
2004	\$7,964
2005	8,584
2006	8,128
2007	8,672
2008	8,140
2009	8,608
	\$50,096

**6. CONDUIT DEBT**

During the year 2000, the Village issued health care facilities revenue bonds in the amount of \$7,000,000, to provide financial assistance to the Lima Memorial Hospital Project for the acquisition, construction, renovating, and equipping of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying loan or lease and the trust agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to Lima Memorial Hospital.

The Village is not obligated in any way to pay the debt and related charges on revenue bonds from any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2003, the principal amount payable on these bonds is \$6,664,000.

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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.



**VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. OP&F participants contributed 10 percent of their wages, and the Village contributed an amount equal to 19.5 percent of police participant wages. PERS members contributed 8.5 percent of their wages, and the Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**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 coverage 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.

**Casualty Coverage** - PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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.

**Property Coverage** - PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

**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, 2003 and 2002.

<b><u>Casualty Coverage</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Assets	\$25,288,098	\$20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>
 <b><u>Property Coverage</u></b>	 <b><u>2003</u></b>	 <b><u>2002</u></b>
Assets	\$3,158,813	\$2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

**VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**9. CONTINGENT LIABILITIES**

**Grants**

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.

**Contingency**

There is a claim by the Ohio Department of Job and Family Services (ODJFS) involving unpaid assessments owed for unemployment claims paid to a former employee of the Village. The Village contends that these claims were overturned by a court decision. The ODJFS has assessed penalties and interest to these claims and the present account balance due (per ODJFS) is \$50,763. Negotiations are currently ongoing between the Village and ODJFS to resolve this matter.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2003 and 2002, and have issued our report thereon dated August 20, 2004. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 20, 2004.

**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 August 20, 2004.

Village of Fort Shawnee  
Allen County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 20, 2004

VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**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 (\$3,000 after April 2003) 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 thirty nine percent of the expenditure transactions (the date of the invoice preceded the date of the certification) which equated to seventeen percent of the dollar values tested. 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.

VILLAGE OF FORT SHAWNEE  
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2001-001	ORC Sec. 5705.41 (D)	No	Not Corrected



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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  
DECEMBER 21, 2004**