



**Auditor of State  
Betty Montgomery**



**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Sherwood  
Defiance County  
U.S. Highway 127  
P.O. Box 4545  
Sherwood, Ohio 43556-0545

To the Mayor, Administrator, and Village Council:

We have audited the accompanying financial statements of the Village of Sherwood, Defiance County, (the Village) as of and for the years ended December 31, 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audits of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.01 requires the auditor of State to provide UAN Services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio Governments.

We believe that our audit provide 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 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 11, 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.

This report is intended solely for the information and use of the finance committee, 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.



**Betty Montgomery**  
Auditor of State

August 11, 2004

**VILLAGE OF SHERWOOD  
DEFIANCE 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 16,468	\$ 30,768	\$ 47,236
Intergovernmental Receipts	85,606	41,921	127,527
Charges for Services	4,525	19,233	23,758
Fines, Licenses, and Permits	2,110	50	2,160
Earnings on Investments	2,323	294	2,617
Miscellaneous	18,046	28,406	46,452
	<u>129,078</u>	<u>120,672</u>	<u>249,750</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	37,405	35,088	72,493
Public Health Services	1,500		1,500
Leisure Time Activities	1,986	6,617	8,603
Community Environment	4,847		4,847
Basic Utility Services	2,066		2,066
Transportation		32,409	32,409
General Government	82,668		82,668
Debt Service			
Principal Payments	8,570	12,829	21,399
Interest Payments	658	9,378	10,036
Financing and Other Debt-Service Related			
Capital Outlay	7,507	12,305	19,812
	<u>147,207</u>	<u>108,626</u>	<u>255,833</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(18,129)</u>	<u>12,046</u>	<u>(6,083)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		11,345	11,345
Transfers-Out	(13,780)		(13,780)
	<u>(13,780)</u>	<u>11,345</u>	<u>(2,435)</u>
<b>Total Other Financing Receipts and (Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(31,909)	23,391	(8,518)
Fund Cash Balances, January 1	<u>57,620</u>	<u>74,653</u>	<u>132,273</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 25,711</b></u>	<u><b>\$ 98,044</b></u>	<u><b>\$ 123,755</b></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 260,500		\$ 260,500
<b>Operating Cash Disbursements:</b>			
Personal Services	32,922		32,922
Fringe Benefits	8,269		8,269
Contractual Services	35,500		35,500
Supplies and Materials	34,854		34,854
Capital Outlay	99,055		99,055
Miscellaneous	2,200		2,200
Total Operating Cash Disbursements	212,800		212,800
Operating Income	47,700		47,700
<b>Non-Operating Cash Receipts:</b>			
Fines, Licenses, and Permits		\$ 690	690
Intergovernmental Receipts	23,184		23,184
Proceeds from Notes	65,000		65,000
Other Non-Operating Receipts	601		601
Total Non-Operating Cash Receipts	88,785	690	89,475
<b>Non-Operating Cash Disbursements:</b>			
Security of Persons and Property		690	690
Debt Service - Principal	32,101		32,101
Debt Service - Interest	25,601		25,601
Total Non-Operating Cash Disbursements	57,702	690	58,392
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	78,783		78,783
Transfers-In	2,435		2,435
Net Cash Receipts Over Cash Disbursements	81,218		81,218
Fund Cash Balances, January 1	165,589		165,589
<b>Fund Cash Balances, December 31</b>	<b>\$ 246,807</b>		<b>\$ 246,807</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**VILLAGE OF SHERWOOD  
DEFIANCE 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 17,199	\$ 29,451	\$ 46,650
Intergovernmental Receipts	85,518	33,666	119,184
Charges for Services	6,000	23,584	29,584
Fines, Licenses, and Permits	1,555	576	2,131
Earnings on Investments	4,667	476	5,143
Miscellaneous	6,487	4,265	10,752
	<u>121,426</u>	<u>92,018</u>	<u>213,444</u>
<b>Total Cash Receipts</b>			
	<u>121,426</u>	<u>92,018</u>	<u>213,444</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	32,550	38,034	70,584
Public Health Services	1,500		1,500
Leisure Time Activities	3,046		3,046
Community Environment	23,267	12,108	35,375
Transportation		37,142	37,142
General Government	85,441		85,441
Debt Service:			
Principal Payments	8,078	4,120	12,198
Interest Payments	1,151	7,370	8,521
Capital Outlay	331	296,716	297,047
	<u>155,364</u>	<u>395,490</u>	<u>550,854</u>
<b>Total Cash Disbursements</b>			
	<u>155,364</u>	<u>395,490</u>	<u>550,854</u>
<b>Total Cash Receipts Under Cash Disbursements</b>	<u>(33,938)</u>	<u>(303,472)</u>	<u>(337,410)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Sale of Notes		269,559	269,559
Transfers-In		20,700	20,700
Transfers-Out	(21,668)		(21,668)
	<u>(21,668)</u>	<u>290,259</u>	<u>268,591</u>
<b>Total Other Financing Receipts and (Disbursements)</b>			
	<u>(21,668)</u>	<u>290,259</u>	<u>268,591</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(55,606)	(13,213)	(68,819)
Fund Cash Balances, January 1	113,226	87,866	201,092
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 57,620</u></u>	<u><u>\$ 74,653</u></u>	<u><u>\$ 132,273</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 251,826		\$ 251,826
Miscellaneous	520		520
Total Operating Cash Receipts	<u>252,346</u>		<u>252,346</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	41,214		41,214
Fringe Benefits	13,323		13,323
Contractual Services	31,512		31,512
Supplies and Materials	24,269		24,269
Miscellaneous	59,902		59,902
Capital Outlay	121,971		121,971
Total Operating Cash Disbursements	<u>292,191</u>		<u>292,191</u>
Operating Loss	<u>(39,845)</u>		<u>(39,845)</u>
<b>Non-Operating Cash Receipts:</b>			
Fines, Licenses, and Permits		\$ 1,440	1,440
Intergovernmental Revenue	32,371		32,371
Total Non-Operating Cash Receipts	<u>32,371</u>	<u>1,440</u>	<u>33,811</u>
<b>Non-Operating Cash Disbursements:</b>			
Security of Persons and Property		1,440	1,440
Debt Service - Principle	23,006		23,006
Debt Service - Interest	22,603		22,603
Total Non-Operating Cash Disbursements	<u>45,609</u>	<u>1,440</u>	<u>47,049</u>
Excess of Cash Receipts Under Cash Disbursements Before Interfund Transfers	<u>(53,083)</u>		<u>(53,083)</u>
Transfers-In	968		968
Net Cash Receipts Over/(Under) Cash Disbursements	<u>(52,115)</u>		<u>(52,115)</u>
Fund Cash Balances, January 1	<u>217,704</u>		<u>217,704</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 165,589</u></b>		<b><u>\$ 165,589</u></b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF SHERWOOD  
DEFIANCE 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 Sherwood, Defiance 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 is directed by a publicly-elected six-member Council. The Village provides general government services including water and sewer utilities, park operations (leisure time activities), police services, fire services, and emergency medical 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 reported at assets. 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:

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

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

**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:

Fire and Rescue Fund - This fund receives property taxes and fire contract revenue for providing fire and rescue services to residents of the Village as well as residents of Mark Township.

Emergency Management Services (EMS) Fund – This fund received insurance monies for ambulance services provided to the residents of the Village as well as residents of Mark Township.

**3. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**4. Fiduciary Funds**

Any funds that the Village acts in an agency capacity are classified as Agency funds.

Mayor's Court Fund – This fund receives revenues from tickets issued by the police department. Corresponding expenditures are made to the applicable governmental agencies.

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**E. 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.

**F. 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 SHERWOOD  
DEFIANCE COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash 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:

	2003	2002
Demand deposits	\$ 212,903	\$ 102,355
STAR Ohio	157,659	195,507
Total deposits and investments	\$ 370,562	\$ 297,862

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) 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			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 120,531	\$ 129,078	\$ 8,547
Special Revenue	136,002	132,017	(3,985)
Enterprise	351,480	351,720	240
Total	\$ 608,013	\$ 612,815	\$ 4,802

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

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

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 179,419	\$ 160,987	\$ 18,432
Special Revenue	206,760	108,626	98,134
Enterprise	506,013	270,502	235,511
Total	\$ 892,192	\$ 540,115	\$ 352,077

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 162,297	\$ 121,426	\$ (40,871)
Special Revenue	394,901	382,277	(12,624)
Enterprise	321,669	285,685	(35,984)
Total	\$ 878,867	\$ 789,388	\$ (89,479)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 244,707	\$ 177,032	\$ 67,675
Special Revenue	486,064	395,490	90,574
Enterprise	491,438	337,800	153,638
Total	\$ 1,222,209	\$ 910,322	\$ 311,887

**4. PROPERTY TAX**

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

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

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

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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 146,316	5.15 - 9.86%
Mortgage Revenue Bonds	245,000	5.00%
Sherwood State Bank Loans	238,797	4.875-6%
Fire Marshal Revolving Loan	80,331	0.00%
Ohio Public Works Commission Loans	146,800	0.00%
Total	<u>\$ 857,244</u>	

The Ohio Water Development Authority (OWDA) loans were issued for the installation of water and sewer lines. The loan for the water line project was issued January 1, 1984, in the amount of \$123,241 to be repaid in semiannual installments of \$6,716, including interest, over 25 years. The loan for the sewer line project was approved in 2001 for a total of \$95,685 to be repaid in semiannual installments of \$3,860, including interest, over 21 years.

The Mortgage Revenue Bonds were issued for the installation of sewer lines. The bonds were issued February 1, 1979, in the amount of \$418,000 to be repaid in annual installments over 38 years.

The Village has three loans with Sherwood State Bank. The Sherwood Library (a Village owned building) improvement loan was issued February 1, 2001, in the amount of \$25,000 to be repaid in semiannual installments of \$4,614 over 3 years. The Fire Truck loan was issued in June 2002, in the amount of \$185,000 to be repaid in semiannual installments of \$8,989 over 15 years. The Sewer repairs loan was issued in May 2003, in the amount of \$65,000 to be repaid in monthly installments of \$688 over 11 years.



**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

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

The State Fire Marshal Revolving Loan was issued in November 2002 for the purchase of a new ambulance. The Village is to make quarterly payments of \$1,409 over the next 15 years.

The Ohio Public Works Commission Loan (OPWC) was issued for the installation of sewer lines. The loan was issued in 2001 for \$158,703 to be paid in semiannual installments of \$3,967 over 20 years.

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

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds	Sherwood State Bank Loans	Fire Marshal Revolving Loan	OPWC Loan
2004	\$ 21,152	\$ 25,250	\$ 30,847	\$ 5,637	\$ 7,935
2005	21,152	24,600	26,233	5,637	7,935
2006	21,152	23,950	26,233	5,637	7,935
2007	21,152	25,300	26,233	5,637	7,935
2008	21,152	24,550	26,233	5,637	7,935
Subsequent	139,657	222,850	189,272	52,146	103,158
Total	<u>\$ 245,417</u>	<u>\$ 346,500</u>	<u>\$ 325,051</u>	<u>\$ 80,331</u>	<u>\$ 142,833</u>

**6. 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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS 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 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

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

**7. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5 percent portion the Plan retains. With policies effective September 1, 2003 and after, the Plan pays the lesser of 5 percent or \$25,000 for casualty losses up to the coverage limit and the lesser of 5 percent or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2003	2002
Assets	\$ 5,402,167	\$ 5,584,592
Liabilities	(1,871,123)	(2,441,793)
Members' Equity	\$ 3,531,044	\$ 3,142,799

**8. SUBSEQUENT EVENTS**

The Village implemented a 1 percent income tax that it will start collecting in 2004.



**Auditor of State  
Betty Montgomery**

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

Village of Sherwood  
Defiance County  
U.S. Highway 127  
P.O. Box 4545  
Sherwood, Ohio 43556-0545

To the Mayor, Administrator, and Village Council:

We have audited the accompanying financial statements of the Village of Sherwood (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 11, 2004 wherein we noted that the Village's financial transactions were processed on the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 11, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-01 and 2003-02.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls over financial reporting that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We noted other matters involving the internal 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 11, 2004.

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



**Betty Montgomery**  
Auditor of State

August 11, 2004

**VILLAGE OF SHERWOOD  
DEFIANCE 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 2003-01**

**Reportable Condition**

Legally adopted appropriations differed from amounts booked in the Village's ledgers, in the amounts identified below:

Year	Fund	Legally Adopted Appropriations	Appropriations Per Ledgers	Variance
2002	General Fund	\$ 244,707	\$ 242,611	\$ (2,096)
2002	Permissive Sales Tax Fund	30,028	15,000	(15,028)
2003	General Fund	179,419	175,220	(4,199)
2003	EMS Fund	117,005	112,555	(4,450)
2003	Street Construction Fund	38,649	36,871	(1,778)
2003	Sewer Fund	220,193	150,778	(69,415)
2003	Park Fund	13,549	7,929	(5,620)
2003	Permissive Fire Tax Fund	32,107	2,650	(29,457)
2003	Permissive Sales Tax Fund	30,028	28	(30,000)
2003	EMS Fund	27,784	29,940	2,156
2003	Water Fund	176,178	174,377	(1,801)
2003	Sewer Fund	255,199	194,856	(60,343)
2003	Sewer Reserve Fund	60,142	29,328	(30,814)
2003	Water Deposit Fund	8,716	6,000	(2,716)

By not posting approved appropriations to the Village's financial system, Council is not provided with adequate budgetary information to aid in monitoring the Village's financial position. Additionally, posting appropriations not approved by Council could lead to expenditures in excess of legal spending authority and negative fund balances. We recommend that appropriations be monitored to ensure that all and only Council approved appropriations are entered into the Village financial system.

## FINDING NUMBER 2003-02

### Reportable Condition - Utility Software

The Village implemented new utility software in August 2003. The following weaknesses were noted with regards to the implementation of the software as well as the processing of the utility receipts:

- Daily deposit reports were not consistently generated for each batch of utility receipts deposited. For those months when they were generated, the reports did not indicate any totals collected.
- Monthly deposit reports were not consistently generated to tie out the deposits made throughout the month. Furthermore, when monthly deposit reports were generated, they could not be reconciled to the daily deposits for the month due to glitches in the computer software pertaining to inactive accounts, penalty assessments, etc.
- Monthly edit reports were not generated to indicate whether manual changes were made to any utility accounts.
- Monthly delinquent account reports were not generated as indication of those individuals who should receive shut off notices and/or have their accounts written off.
- The computer system does not readily allocate those batches of receipts into amounts to be posted to the water fund and sewer fund. The Utility Clerk manually allocates the monies for the Village Clerk based on the utility stubs collected.
- Passwords are not utilized to enter the utility billing system. Back-up disks are not maintained in a locked, secured area and they are not maintained off-site.

In order to help ensure that utility receipts are being properly calculated and that all cash assets are being accounted for, we recommend, at minimum, the following:

- Daily utility reports should be generated any time a batch of utility receipts is deposited. The report should provide the total collected which should be reconciled to the batch of utility stubs and the money deposited. All documents should be filed in a consistent manner.
- Monthly deposit reports should be generated and reconciled to the daily deposits. Any discrepancies should be investigated and reconciled. All monthly deposit reports should provide totals. Furthermore, any discrepancies noted with regards to inactive accounts, penalties, etc. should be investigated and reconciled in order to provide accurate amounts of utility collections.
- Monthly edit reports should be generated which indicate any changes noted to utility accounts. Each change made should have an explanation as to why the change was made.

**FINDING NUMBER 2003-02**  
**(Continued)**

- Monthly delinquent account reports should be generated as a means of issuing shut-off notices and approving writing off any uncollectible accounts.
- All daily and monthly deposit reports should provide detailed allocations of receipts that should be posted to the water fund and the sewer fund. This information should be compared to the information provided to the Village Clerk to be posted in the Village's financial ledgers.
- Passwords should be utilized to enter the utility billing system. Passwords should be at least six characters and they should be changed every three months. Back-up disks should be maintained on-site in a secured, fireproof safe or cabinet. A copy of the back-up disks should also be maintained off-site.

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-30120-001	ORC § 149.351 Removed, destroyed, mutilated, or damaged public EMS records	Yes	Partially corrected. Reissued in the management letter.
2001-30120-002	ORC § 5705.40 Legally adopted appropriations not posted to system	No	Not corrected. Reissued as Finding 2003-01.
2001-30120-003	ORC § 5705.41(B) Expenditures exceeding appropriations	Yes	
2001-30120-004	ORC §5705.41(D) Improper encumbering	No	Partially corrected. Reported in the management letter.





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Betty Montgomery**

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**VILLAGE OF SHERWOOD**

**DEFIANCE 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  
SEPTEMBER 7, 2004**