



Dave Yost • Auditor of State

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Sherwood
Defiance County
P.O. Box 4545
Sherwood, Ohio 43556-0545

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Sherwood, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sherwood, Defiance County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 20, 2016

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$19,443	\$29,088		\$48,531
Municipal Income Tax	74,090			74,090
Intergovernmental	45,389	44,952	\$33,300	123,641
Charges for Services	6,220	69,045		75,265
Fines, Licenses and Permits	4,257			4,257
Earnings on Investments	857	16		873
Miscellaneous	14,917	16,397		31,314
<i>Total Cash Receipts</i>	<u>165,173</u>	<u>159,498</u>	<u>33,300</u>	<u>357,971</u>
Cash Disbursements				
Current:				
Security of Persons and Property	14,877	59,000		73,877
Public Health Services	1,500			1,500
Leisure Time Activities	1,443	22,388		23,831
Community Environment	808			808
Basic Utility Services		459	33,300	33,759
Transportation		24,451		24,451
General Government	103,240			103,240
Capital Outlay	21,797	21,473		43,270
Debt Service:				
Principal Retirement		26,315		26,315
Interest and Fiscal Charges		1,761		1,761
<i>Total Cash Disbursements</i>	<u>143,665</u>	<u>155,847</u>	<u>\$33,300</u>	<u>332,812</u>
<i>Excess of Receipts Over Disbursements</i>	<u>21,508</u>	<u>3,651</u>		<u>25,159</u>
Other Financing Receipts (Disbursements)				
Transfers In		7,572		7,572
Transfers Out	(9,155)			(9,155)
Other Financing Sources		748		748
Other Financing Uses	(88)			(88)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,243)</u>	<u>8,320</u>		<u>(923)</u>
<i>Net Change in Fund Cash Balances</i>	12,265	11,971		24,236
<i>Fund Cash Balances, January 1</i>	<u>66,693</u>	<u>205,995</u>		<u>272,688</u>
Fund Cash Balances, December 31				
Restricted		209,675		209,675
Committed		8,291		8,291
Assigned	75,315			75,315
Unassigned	3,643			3,643
<i>Fund Cash Balances, December 31</i>	<u>\$78,958</u>	<u>\$217,966</u>		<u>\$296,924</u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$254,006
Operating Cash Disbursements	
Personal Services	42,437
Employee Fringe Benefits	13,944
Contractual Services	49,946
Supplies and Materials	26,835
Other	2,360
<i>Total Operating Cash Disbursements</i>	135,522
<i>Operating Income</i>	118,484
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	228
Capital Outlay	(41,961)
Principal Retirement	(38,860)
Interest and Other Fiscal Charges	(5,780)
Other Financing Sources	114
<i>Total Non-Operating Receipts (Disbursements)</i>	(86,259)
<i>Income before Transfers</i>	32,225
Transfers In	1,583
<i>Net Change in Fund Cash Balances</i>	33,808
<i>Fund Cash Balances, January 1</i>	840,272
<i>Fund Cash Balances, December 31</i>	\$874,080

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$17,324	\$26,688		\$44,012
Municipal Income Tax	84,472			84,472
Intergovernmental	42,424	91,207	\$25,000	158,631
Charges for Services	5,980	73,216		79,196
Fines, Licenses and Permits	3,892			3,892
Earnings on Investments	328	10		338
Miscellaneous	6,736	5,154		11,890
<i>Total Cash Receipts</i>	<u>161,156</u>	<u>196,275</u>	<u>25,000</u>	<u>382,431</u>
Cash Disbursements				
Current:				
Security of Persons and Property	14,754	72,796		87,550
Public Health Services	1,500			1,500
Leisure Time Activities	1,744	28,532		30,276
Community Environment	638			638
Basic Utility Services			25,000	25,000
Transportation		56,887		56,887
General Government	113,503			113,503
Capital Outlay	1,615	69,476		71,091
Debt Service:				
Principal Retirement		63,814		63,814
Interest		2,608		2,608
Issuance Cost		265		265
<i>Total Cash Disbursements</i>	<u>133,754</u>	<u>294,378</u>	<u>\$25,000</u>	<u>453,132</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>27,402</u>	<u>(98,103)</u>		<u>(70,701)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds		50,200		50,200
Transfers In		10,505		10,505
Transfers Out	(12,335)			(12,335)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12,335)</u>	<u>60,705</u>		<u>48,370</u>
<i>Net Change in Fund Cash Balances</i>	15,067	(37,398)		(22,331)
<i>Fund Cash Balances, January 1</i>	<u>51,626</u>	<u>243,393</u>		<u>295,019</u>
Fund Cash Balances, December 31				
Restricted		191,412		191,412
Committed		14,583		14,583
Assigned	63,317			63,317
Unassigned	3,376			3,376
<i>Fund Cash Balances, December 31</i>	<u>\$66,693</u>	<u>\$205,995</u>		<u>\$272,688</u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$254,940
Operating Cash Disbursements	
Personal Services	47,523
Employee Fringe Benefits	16,499
Contractual Services	42,044
Supplies and Materials	24,273
Other	1,916
<i>Total Operating Cash Disbursements</i>	<i>132,255</i>
<i>Operating Income</i>	<i>122,685</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	579
Capital Outlay	(62,598)
Principal Retirement	(36,593)
Interest and Other Fiscal Charges	(7,045)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(105,657)</i>
<i>Income before Transfers</i>	<i>17,028</i>
Transfers In	1,830
<i>Net Change in Fund Cash Balances</i>	<i>18,858</i>
<i>Fund Cash Balances, January 1</i>	<i>821,414</i>
<i>Fund Cash Balances, December 31</i>	<i>\$840,272</i>

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, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sherwood, Defiance County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, emergency medical services, and park operations. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investments in STAR Ohio are valued at STAR Ohio share price, which is the price the investment could be sold for on December 31 2015 and 2014.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

Emergency Medical Services (EMS) Fund – This fund receives payments from residents of the Village and those surrounding areas who receive emergency rescue services from Village emergency medical personnel. Grants are also a source of revenue.

3. Capital Project Funds

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Community Development Block Grant (CDBG) Fund – This fund receives grant monies through the CDBG Formula Program which were used to construct sidewalks within the Village.

4. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents and commercial users within the Village to cover water service costs.

Sewer Fund - This fund receives charges for services from residents and commercial users within the Village to cover sanitary sewer service costs.

E. Budgetary Process

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$989,255	\$931,403
STAR Ohio	181,749	181,557
Total deposits and investments	\$1,171,004	\$1,112,960

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

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,683	\$165,173	\$3,490
Special Revenue	165,645	167,818	2,173
Capital Projects	33,300	33,300	
Enterprise	265,530	255,931	(9,599)
Total	\$626,158	\$622,222	(\$3,936)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$225,000	\$152,908	\$72,092
Special Revenue	238,000	155,847	82,153
Capital Projects	33,300	33,300	
Enterprise	413,750	222,123	191,627
Total	\$910,050	\$564,178	\$345,872

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,112	\$161,156	\$10,044
Special Revenue	201,670	256,980	55,310
Capital Projects	25,000	25,000	
Enterprise	266,380	257,349	(9,031)
Total	\$644,162	\$700,485	\$56,323

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$188,000	\$146,089	\$41,911
Special Revenue	318,100	294,378	23,722
Capital Projects	25,000	25,000	
Enterprise	414,500	238,491	176,009
Total	\$945,600	\$703,958	\$241,642

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan No. 3500	\$42,194	5.15%
Ohio Public Works Commission Loan No. CE30E	51,579	
Ohio Public Works Commission Loan No. CE09M	87,792	
USDA Rural Development Mortgage Revenue Bonds	46,000	5.00%
Sherwood State Bank Loan	39,409	4.25%
Total	<u>\$266,974</u>	

The Ohio Water Development Authority (OWDA) loan was issued for the installation of sewer lines. The loan for the sewer line project was approved in 2001 for a total of \$95,685 to be paid in semiannual installments of \$3,680 including interest over 21 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OWPC) loans relate to sewer improvements. OPWC Loan No CE30E was issued for the installation of sewer line. The loan was issued in 2001 for \$158,703 to be paid in semiannual installments of \$3,968 over 20 years. OWPC Loan No CE09M related to the wastewater pump station replacement project. The loan was issued in 2010 for \$107,500 to be paid in semiannual payments of \$1,792 over 30 years.

The USDA Rural Development 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.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT - continued

The Sherwood State Bank loan was for the purchase of a Fire Truck issued in June 2002 in the amount of \$185,000 to be paid over a period of 15 years. The Village refinanced \$50,200 of the loan on October 9, 2014 for 5 years to be paid in monthly installments of \$930.

The State Fire Marshal Revolving Loan was issued in November 2002 in the amount of \$84,559 for the purchase of a new ambulance. The Village made quarterly payments of \$1,409 over 15 years. On March 13, 2015 the Village paid off the balance of the Fire Marshall Revolving Loan of \$16,912.

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

Year ending December 31:	OWDA Loan	OPWC Loans	Mortgage Revenue Bonds	Sherwood State Bank Loan
2016	\$7,721	\$11,519	\$24,300	\$11,163
2017	7,721	11,519	25,200	11,163
2018	7,721	11,519		11,163
2019	7,721	11,519		9,303
2020	7,721	11,519		
2021-2025	11,581	29,819		
2026-2030		17,916		
2031-2035		17,916		
2036-2040		16,125		
Total	\$50,186	\$139,371	\$49,500	\$42,792

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. MISCELLANEOUS INCOME

Miscellaneous revenues in the 2015 General Fund included \$14,219 in donations from the Friends of the Sherwood Library for improvements made to the Library Building owned by the Village.

Miscellaneous revenues in the 2015 Special Revenue Fund included \$10,000 for the sale of a truck, \$2,900 for an insurance claim, and \$2,350 for a reimbursement from a vendor for a double payment.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

10. INTERFUND TRANSACTIONS

Interfund transfers for the years ended December 31, 2015 and 2014, consisted of the following, as reported on the financial statements:

	<u>For The Year Ending December 31, 2015</u>	<u>For the Year Ending December 31, 2014</u>
Transfers From the General Fund To:		
Special Revenue Street Construction Maintenance and Repair Fund		\$2,000
Special Revenue Parks and Recreation Fund	\$7,506	8,448
Special Revenue Fire and Rescue Fund	12	10
Special Revenue Emergency Medical Services Fund	54	47
Enterprise Water Operating Fund	203	140
Enterprise Sewer Operating Fund	130	90
Enterprise Refuse Fund	1,250	1,600
Total Transfer In	<u>\$9,155</u>	<u>\$12,335</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

Village of Sherwood
Defiance County
P.O. Box 4545
Sherwood, Ohio 43556-0545

To the Members of Council

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Sherwood, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 20, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

July 20, 2016

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Finding For Recovery for Money Due but Uncollected

The Village of Sherwood Contract For Fire And Emergency Medical Services with Mark Township for the period April 1, 2012 through March 31, 2015 indicates that Mark Township would be invoiced monthly for emergency medical service provided by the Village at a flat rate fee of \$350 per run, regardless of the number of victims transported per rescue vehicle. In addition, the Village of Sherwood Contract For Fire And Emergency Medical Services with Mark Township for the period April 1, 2015 through March 31, 2018 indicates that Mark Township would be invoiced monthly at a flat rate fee of \$300 per run, regardless of the number of victims transported per rescue vehicle. The contract provides that failure to remit payment of the said amounts could result in termination of the contract agreement.

Mark Township stopped remitting payments in September 2014, although the Village continued to provide emergency medical service on behalf of the Township. At December 31, 2015, Mark Township owed the Village of Sherwood \$7,300 for emergency medical services provided for their jurisdiction on behalf of the Township in 2015 and 2014.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due, but not collected is hereby issued against Mark Township, and in favor of the Village of Sherwood's Special Revenue Emergency Management Services Fund, in the amount of \$7,300.

On July 5, 2016, the Village was repaid \$900 with Check #11715 from Mark Township. The \$900 was receipted to the Sherwood's Special Revenue Emergency Management Service Fund on July 20, 2016.

FINDING NUMBER 2015-002

Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The Village lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- In 2015, the Village incorrectly recorded General Fund municipal income tax revenues of \$19,067 as intergovernmental revenue.
- In 2015, the Village incorrectly recorded a \$14,220 reimbursement from Friends of the Library for community room expenses in the General Fund as other financing sources instead of miscellaneous revenue.
- In 2015 and 2014, unassigned fund balance was overstated and assigned fund balance was understated in the General Fund by \$75,315 and \$63,317, respectively.
- In 2015 and 2014, restricted fund balance was overstated and committed fund balance was understated in the Special Revenue Parks and Recreation Fund by \$8,291 and \$14,583, respectively.

- In 2014, the Village refinanced their 2002 fire truck loan from Sherwood State Bank. The Village did not record the payoff amount of the original loan balance of \$49,116 in principal and \$819 in interest in the Special Revenue Fire and Rescue Fund. The Village also did not record the activity related to refinancing such as \$50,200 in loan proceeds and \$265 in issuance costs.

The Village's financial statements and accounting records have been adjusted to reflect these and other discrepancies.

To ensure the financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements, by the Fiscal Officer and Finance Committee to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials for the findings reported above.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material weakness due to lack of monitoring of financial transactions.	No	Not corrected. Reissued as finding 2015-002 in this report.
2013-002	Ohio Rev. Code § 705.41(D)1 for not properly certifying disbursements.	Yes	

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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
AUGUST 4, 2016**