



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF SHERWOOD
DEFIANCE COUNTY
DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Sherwood, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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 such 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 2 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, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Sherwood, Defiance County, Ohio as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of the COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020, 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.

A handwritten signature in black ink, appearing to read "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

July 20, 2020

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**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, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Taxes	\$18,532	\$30,432		\$48,964
Municipal Income Tax	80,409			80,409
Intergovernmental	56,028	94,109	\$966,950	1,117,087
Charges for Services	8,820	70,220		79,040
Fines, Licenses and Permits	1,582			1,582
Earnings on Investments	15,141	927		16,068
Miscellaneous	7,935	8,454		16,389
<i>Total Cash Receipts</i>	<u>188,447</u>	<u>204,142</u>	<u>966,950</u>	<u>1,359,539</u>
Cash Disbursements				
Current:				
Security of Persons and Property	13,587	51,451		65,038
Public Health Services	1,662			1,662
Leisure Time Activities	1,905	18,009		19,914
Community Environment	1,147			1,147
Basic Utility Services		563	263,950	264,513
Transportation		29,326	218,000	247,326
General Government	125,614			125,614
Capital Outlay	22,796	53,938	912,563	989,297
<i>Total Cash Disbursements</i>	<u>166,711</u>	<u>153,287</u>	<u>1,394,513</u>	<u>1,714,511</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,736</u>	<u>50,855</u>	<u>(427,563)</u>	<u>(354,972)</u>
Other Financing Receipts (Disbursements)				
Loans Issued			427,563	427,563
Sale of Capital Assets			1,918	1,918
Transfer In		14,185		14,185
Transfers Out	(26,634)			(26,634)
Other Financing Sources	86			86
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(26,548)</u>	<u>14,185</u>	<u>429,481</u>	<u>417,118</u>
<i>Net Change in Fund Cash Balances</i>	(4,812)	65,040	1,918	62,146
<i>Fund Cash Balances, January 1</i>	<u>84,265</u>	<u>374,915</u>	<u>3,627</u>	<u>462,807</u>
Fund Cash Balances, December 31				
Restricted		432,214	5,545	437,759
Committed		7,741		7,741
Assigned	76,193			76,193
Unassigned	3,260			3,260
<i>Fund Cash Balances, December 31</i>	<u>\$79,453</u>	<u>\$439,955</u>	<u>\$5,545</u>	<u>\$524,953</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, 2019**

	<u>Proprietary Fund Type</u>
	Enterprise
Operating Cash Receipts	
Charges for Services	\$284,436
Operating Cash Disbursements	
Personal Services	61,542
Employee Fringe Benefits	13,920
Contractual Services	416,894
Supplies and Materials	23,573
Other	2,115
<i>Total Operating Cash Disbursements</i>	518,044
<i>Operating Loss</i>	(233,608)
Non-Operating Receipts (Disbursements)	
Loans Issued	378,966
Miscellaneous Receipts	612
Capital Outlay	(25,632)
Principal Retirement	(18,064)
Interest and Other Fiscal Charges	(913)
<i>Total Non-Operating Receipts (Disbursements)</i>	334,969
<i>Income Before Transfers</i>	101,361
Transfers In	12,449
<i>Net Change in Fund Cash Balances</i>	113,810
<i>Fund Cash Balances, January 1</i>	1,047,439
<i>Fund Cash Balances, December 31</i>	\$1,161,249

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – REPORTING ENTITY

The Village of Sherwood, Defiance County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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, and park operations. The Village has paramedics, intermediate EMTs, basic medical personnel, and first responders who provide emergency medical services within the Village and other areas. A volunteer fire department provides fire protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair Fund The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Emergency Medical Services (EMS) Fund The EMS 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.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Community Development Block Grant (CDBG) Fund The CDBG Grant Fund receives CDBG grant monies administered through the Maumee Valley Planning Organization (MVPO) on behalf of the Village as well as directly from the State. Grant monies are used for costs associated with the wastewater treatment plant improvement project and the Vine/Maple Street reconstruction project.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Ohio Public Works Commission (OPWC) Vine/Maple Street Reconstruction Grant Fund The OPWC Vine/Maple Street Reconstruction Grant Fund receives grant and loan proceeds from the OPWC which are spent on behalf of the Village. The grant and loan monies are restricted for costs associated with the Vine/Maple Street reconstruction project.

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 Fund:

Sewer Operating Fund The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village and the Central Local School District.

Basis of Accounting

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.

Budgetary Process

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

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

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

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

A summary of 2019 budgetary activity appears in Note 4.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Capital Assets

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

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.

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:

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

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.

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.

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.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Village maintains a deposits 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:

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

	2019
Demand deposits	\$982,101
STAR Ohio	704,101
Total deposits and investments	\$1,686,202

Deposits

Deposits are insured by the Federal Deposit 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.

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,994	\$188,533	\$27,539
Special Revenue	199,838	218,327	18,489
Capital Projects	1,424,513	1,396,431	(28,082)
Enterprise	677,000	676,463	(537)
Total	\$2,462,345	\$2,479,754	\$17,409

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,000	\$193,345	\$46,655
Special Revenue	551,000	153,287	397,713
Capital Projects	1,424,513	1,394,513	30,000
Enterprise	1,706,494	562,653	1,143,841
Total	\$3,922,007	\$2,303,798	\$1,618,209

NOTE 5 – TAXES

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

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

Income Taxes

The Village levies a municipal income tax of 1 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. Income tax proceeds are placed into the General Fund.

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

NOTE 6 – DEBT

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan No. 3500	\$17,896	4.00%
Ohio Public Works Commission Loan No. CE30E	19,838	0%
Ohio Public Works Commission Loan No. CE09M	73,458	0%
Ohio Public Works Commission Loan No. CE42V	427,563	0%
Ohio Public Works Commission Loan No. CT31U	1,074,435	0%
Total	\$1,613,190	

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 \$3,860, including interest, over 21 years. In 2016, OWDA implemented an interest rate buy-down program. The Village's interest rate was lowered to 4 percent commencing in 2016 and the estimated savings that the Village will realize over the remaining life of the loan is \$1,784. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relate to various sewer and street improvements. OPWC Loan No. CE30E was issued for the installation of sewer lines. The loan was issued in 2001 for \$158,703 to be paid in semiannual installments of \$3,968 over 20 years. OPWC Loan No. CE09M was issued for 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. OPWC Loan No. CE42V related to the Vine/Maple Street reconstruction project. The loan was issued in 2019 for \$427,563 to be repaid in semiannual payments of \$7,126 over 30 years. OPWC Loan No. CT31U was issued for the wastewater treatment plant improvements. The loan was approved in 2017 for \$1,220,000. As of December 31, 2019, the Village received a total of \$1,074,435 in loan proceeds. There is no amortization schedule at this time; however, the outstanding principal balance is included in the total outstanding noted above.

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Year Ended December 31	OWDA Loan	OPWC Loans
2020	\$7,535	\$25,771
2021	7,615	25,771
2022	3,839	21,803
2023		17,836
2024		17,835
2025 - 2029		89,177
2030 - 2034		89,177
2035 - 2039		89,177
2040 - 2044		73,052
2045 - 2049		71,260
Total	\$18,989	\$520,859

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Social Security

Other Village employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

NOTE 8 – POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2019.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 9 – RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u><u>\$4,591,493</u></u>

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

NOTE 10 – INTERFUND TRANSFERS

During 2019, the following transfers were made:

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Transfer from the General Fund To:

Special Revenue Funds:

	<i>Transfers In</i>
Parks and Recreation Fund	\$11,072
Fire and Rescue Fund	1,148
EMS Fund	1,965
<i>Total Special Revenue Funds</i>	14,185

Enterprise Funds:

Water Operating Fund	5,993
Sewer Operating Fund	4,456
Refuse Fund	2,000
<i>Total Enterprise Funds</i>	12,449

Total Transfers	\$26,634
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Transfers are used to move receipts from the fund that statute or budget requires 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.

NOTE 11 – MISCELLANEOUS RECEIPTS

Miscellaneous receipts in the Special Revenue Fund primarily consisted of various donations, reimbursements, and refunds.

NOTE 12 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Taxes	\$17,888	\$29,361		\$47,249
Municipal Income Tax	87,720			87,720
Intergovernmental	53,173	93,161	\$307,669	454,003
Special Assessments	2,281			2,281
Charges for Services	6,770	66,847		73,617
Fines, Licenses and Permits	3,524			3,524
Earnings on Investments	4,174	224		4,398
Miscellaneous	6,404	8,274		14,678
<i>Total Cash Receipts</i>	<u>181,934</u>	<u>197,867</u>	<u>307,669</u>	<u>687,470</u>
Cash Disbursements				
Current:				
Security of Persons and Property	14,389	53,628		68,017
Public Health Services	1,500			1,500
Leisure Time Activities	2,251	18,425		20,676
Community Environment	1,077			1,077
Basic Utility Services		613	282,135	282,748
Transportation		46,156	25,534	71,690
General Government	141,993			141,993
Capital Outlay	4,443	5,259		9,702
Debt Service:				
Principal Retirement		19,632		19,632
Interest and Fiscal Charges		71		71
<i>Total Cash Disbursements</i>	<u>165,653</u>	<u>143,784</u>	<u>307,669</u>	<u>617,106</u>
<i>Excess of Receipts Over Disbursements</i>	<u>16,281</u>	<u>54,083</u>		<u>70,364</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			3,627	3,627
Transfer In		11,498		11,498
Transfers Out	(16,139)			(16,139)
Other Financing Uses	(86)			(86)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(16,225)</u>	<u>11,498</u>	<u>3,627</u>	<u>(1,100)</u>
<i>Net Change in Fund Cash Balances</i>	56	65,581	3,627	69,264
<i>Fund Cash Balances, January 1</i>	<u>84,209</u>	<u>309,334</u>		<u>393,543</u>
Fund Cash Balances, December 31				
Restricted		368,673	3,627	372,300
Committed		6,242		6,242
Assigned	79,006			79,006
Unassigned	5,259			5,259
<i>Fund Cash Balances, December 31</i>	<u>\$84,265</u>	<u>\$374,915</u>	<u>\$3,627</u>	<u>\$462,807</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, 2018**

	<u>Proprietary Fund Type</u>
	Enterprise
Operating Cash Receipts	
Charges for Services	\$270,874
Operating Cash Disbursements	
Personal Services	62,167
Employee Fringe Benefits	14,853
Contractual Services	1,156,334
Supplies and Materials	14,728
Other	1,544
<i>Total Operating Cash Disbursements</i>	1,249,626
<i>Operating Loss</i>	(978,752)
Non-Operating Receipts (Disbursements)	
Intergovernmental	440,000
Loans Issued	695,470
Miscellaneous Receipts	201
Capital Outlay	(69,780)
Principal Retirement	(17,739)
Interest and Other Fiscal Charges	(1,165)
<i>Total Non-Operating Receipts (Disbursements)</i>	1,046,987
<i>Income Before Transfers</i>	68,235
Transfers In	4,641
<i>Net Change in Fund Cash Balances</i>	72,876
<i>Fund Cash Balances, January 1</i>	974,563
<i>Fund Cash Balances, December 31</i>	\$1,047,439

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – REPORTING ENTITY

The Village of Sherwood, Defiance County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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, and park operations. The Village has paramedics, intermediate EMTs, basic medical personnel, and first responders who provide emergency medical services within the Village and other areas. A volunteer fire department provides fire protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair Fund The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire and Rescue Fund The Fire and Rescue 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 The EMS 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.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Community Development Block Grant (CDBG) Fund The CDBG Grant Fund receives CDBG grant monies administered through the Maumee Valley Planning Organization (MVPO) on behalf of the Village as well as directly from the State. Grant monies are used for costs associated with the wastewater treatment plant improvement project.

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 Fund:

Sewer Operating Fund The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village and the Central Local School District.

Basis of Accounting

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.

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Capital Assets

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

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.

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:

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

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.

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.

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.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Village maintains a deposits 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:

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

	2018
Demand deposits	\$1,321,930
STAR Ohio	188,316
Total deposits and investments	\$1,510,246

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

At December 31, 2018, \$1,087,124 of deposits were not insured or collateralized, contrary to Ohio law.

Investments

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

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,285	\$181,934	\$26,649
Special Revenue	200,941	209,365	8,424
Capital Projects	307,669	311,296	3,627
Enterprise	1,274,795	1,411,186	136,391
Total	\$1,938,690	\$2,113,781	\$175,091

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$230,000	\$181,878	\$48,122
Special Revenue	478,086	143,784	334,302
Capital Projects	307,669	307,669	
Enterprise	1,623,834	1,338,310	285,524
Total	\$2,639,589	\$1,971,641	\$667,948

NOTE 5 – TAXES

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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

Income Taxes

The Village levies a municipal income tax of 1 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. Income tax proceeds are placed into the General Fund.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) or Hicksville Village (as of December 12, 2018) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a final return annually.

NOTE 6 – DEBT

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan No. 3500	\$24,441	4.00%
Ohio Public Works Commission Loan No. CE30E	27,773	0%
Ohio Public Works Commission Loan No. CE09M	77,042	0%
Ohio Public Works Commission Loan No. CT31U	695,470	0%
Total	<u>\$824,726</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 \$3,860, including interest, over 21 years. In 2016, OWDA implemented an interest rate buy-down program. The Village's interest rate was lowered to 4 percent commencing in 2016 and the estimated savings that the Village will realize over the remaining life of the loan is \$1,784. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relate to various sewer and street improvements. OPWC Loan No. CE30E was issued for the installation of sewer lines. The loan was issued in 2001 for \$158,703 to be paid in semiannual installments of \$3,968 over 20 years. OPWC Loan No. CE09M was issued for 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. OPWC Loan No. CT31U was issued for wastewater treatment plant improvements. The loan was approved in 2017 for \$1,220,000. As of December 31, 2018, the Village received a total of \$695,470 in loan proceeds. There is no amortization schedule at this time; however, the outstanding principal balance is included in the total outstanding noted above.

The Village had a loan through Sherwood State Bank for the purchase of a fire truck issued in June 2002 in the amount of \$185,000 to be repaid over 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 loan was paid in full in 2018.

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Year Ended December 31	OWDA Loan	OPWC Loans
2019	\$7,458	\$11,519
2020	7,535	11,518
2021	7,615	11,519
2022	3,839	7,551
2023		3,583
2024 - 2028		17,917
2029 - 2033		17,917
2034 - 2038		17,917
2039 - 2043		5,374
Total	\$26,447	\$104,815

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

NOTE 8 – POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2018.

NOTE 9 – RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	(10,734,623)
Members' Equity	\$4,330,789

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

NOTE 10 – INTERFUND TRANSFERS

During 2018, the following transfers were made:

<u>Transfer From The General Fund To:</u>	<u>Transfers In</u>
<i>Special Revenue Funds:</i>	
Parks and Recreation Fund	\$10,782
Fire and Rescue Fund	166
EMS Fund	550
<i>Total Special Revenue Funds</i>	11,498
 <i>Enterprise Funds:</i>	
Water Operating Fund	1,590
Sewer Operating Fund	1,051
Refuse Fund	2,000
<i>Total Enterprise Funds</i>	4,641
 Total Transfers	 \$16,139

Transfers are used to move receipts from the fund that statute or budget requires 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.

NOTE 11 – MISCELLANEOUS RECEIPTS

Miscellaneous receipts in the Special Revenue Fund primarily consisted of various donations, reimbursements, and refunds.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 12 – COMPLIANCE

Contrary to Ohio Rev. Code § 5705.10(D), the Village recorded intergovernmental revenue in the wrong fund. Also, contrary to Ohio Rev. Code § 135.18(A), the Village's bank balance was uninsured and uncollateralized as of December 31, 2018.



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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 Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Sherwood, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 20, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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. We consider finding 2019-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-002 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-002 and 2019-003.

Village's Responses to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

July 20, 2020

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were identified in the accompanying financial statements:

- Permissive tax receipts from the County Engineer in the amount of \$19,586 were incorrectly classified as property and other taxes instead of intergovernmental revenue in the Permissive Sales Tax Fund in 2018.
- Ohio Public Works Commission grant monies in the amount of \$25,534 were incorrectly classified as special assessments instead of intergovernmental revenue in the Defiance County Engineer Grant Fund in 2018.
- Community Development Block Grant (CDBG) disbursements in the amount of \$218,000 were incorrectly classified as basic utility services instead of transportation in the CDBG Grant Fund in 2019.
- In 2019 and 2018, General Fund subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned instead of assigned fund balance in the amounts of \$76,193 and \$79,006, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Village Council making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council, to identify and correct errors and omissions. In addition, the Fiscal Officer should review Auditor of State Bulletin 2011-004 for guidance on GASB Statement No. 54.

Officials' Response:

The Fiscal Officer has read and understands the posting errors and will monitor pertinent financial postings to the financial statements in future audits.

FINDING NUMBER 2019-002

Noncompliance and Significant Deficiency

Ohio Rev. Code § 5705.10(D) provides in part that “all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.”

In 2018, the Village inappropriately recorded \$10,850 of intergovernmental revenue in the Fire and Rescue Fund. Given the source of the revenue, this should have been recorded in the EMS Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting this misstatement. An additional error was noted in a smaller relative amount.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

The Fiscal Officer has read and understands this posting error.

FINDING NUMBER 2019-003

Noncompliance

Ohio Rev. Code § 135.18(A) provides that each institution designated as a public depository and awarded public deposits under Ohio Rev. Code § 135.01 to 135.21, except as provided in Ohio Rev. Code § 135.144 or 135.145, shall provide security for the repayment of all public deposits by selecting one of the following methods:

1. Securing all uninsured public deposits of each public depositor separately by pledging to the public depositor eligible securities of aggregate market value at all times equal to at least one hundred five percent of the total amount of the public depositor's uninsured public deposits.
2. Securing all uninsured public deposits of every public depositor by establishing and pledging to the treasurer of state a single pool of collateral for the benefit of every public depositor at the public depository.

Ohio Rev. Code § 135.182 establishes the Ohio Pooled Collateral Program established under the Treasurer of State. Under this program, each institution designated as a public depository that selects the pledging method shall pledge to the treasurer of state a single pool of eligible securities for the benefit of all public depositors at the public depository to secure the repayment of all uninsured public deposits at the public depository, provided that at all times the total market value of the securities so pledged is at least equal to either of the following:

1. One hundred two percent of the total amount of all uninsured public deposits;
2. An amount determined by rules adopted by the Treasurer of State that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository pursuant to division (B) of this section. Such criteria shall include, but are not limited to, prudent capital and liquidity management by the public depository and the safety and soundness of the public depository as determined by a third-party rating organization.

Due to deficiencies in policies and procedures over the monitoring of collateral, the Village's designated depository, Sherwood State Bank, did not specifically pledge securities to the Village to collateralize deposits nor did the bank enroll in the Ohio Pooled Collateral Program. As of December 31, 2018, the portion of the Village's bank balance that was uninsured and uncollateralized was \$1,087,124. The Fiscal Officer did not verify that the bank provided the required allowable collateral. The lack of required pledged securities could put the entire balance at risk in the event of bank failure.

The Fiscal Officer should monitor public depositories utilized by the Village to ensure they are providing the required specifically pledged collateral or are enrolled in the Ohio Pooled Collateral System.

Officials' Response:

The Fiscal Officer indicated the bank has corrected the collateral coverage for the Village.

VILLAGE OF SHERWOOD

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	This finding was first reported in 2008. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2019-001 in this report.	This finding reoccurred due to mispostings of certain receipts and disbursements, including on-behalf grant funding, and fund balance classifications. The Fiscal Officer will review the mispostings and take them into consideration for future audits.

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ADMINISTRATOR Sherri Ramey
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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SHERWOOD

DEFIANCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/4/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov