



**Auditor of State
Betty Montgomery**

VILLAGE OF SHERRODSVILLE
CARROLL COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sherrodsville
Carroll County
PO Box 31
15 South Sherrod Avenue
Sherrodsville, Ohio 44675

To the Village Council:

We have audited the accompanying financial statements of Village of Sherrodsville, Carroll County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio Governments.

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Sherrodsville, Carroll County as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Sherrodsville
Carroll County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

July 12, 2004

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,510		\$6,510
Municipal Income Tax	17,646		17,646
Intergovernmental Receipts	39,120	\$10,870	49,990
Earnings on Investments	189	34	223
Miscellaneous	1,239		1,239
	<hr/>		
Total Cash Receipts	64,704	10,904	75,608
Cash Disbursements:			
Current:			
Security of Persons and Property	10,865		10,865
Leisure Time Activities	4,297		4,297
Community Environment	2,589		2,589
Basic Utility Services	1,889	500	2,389
Transportation	4,300	16,817	21,117
General Government	24,785		24,785
Debt Service:			
Principal Payments	852		852
Interest Payments	239		239
Capital Outlay	15,110		15,110
	<hr/>		
Total Cash Disbursements	64,926	17,317	82,243
Total Receipts Over/(Under) Disbursements	(222)	(6,413)	(6,635)
Other Financing Receipts and (Disbursements):			
Sale of Bonds or Notes	15,110		15,110
Other Financing Sources	877		877
	<hr/>		
Total Other Financing Receipts/(Disbursements)	15,987		15,987
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,765	(6,413)	9,352
Fund Cash Balances, January 1	49,742	25,785	75,527
	<hr/>		
Fund Cash Balances, December 31	<u>\$65,507</u>	<u>\$19,372</u>	<u>\$84,879</u>

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$42,019
Miscellaneous	1,815
	<u>43,834</u>
Total Operating Cash Receipts	<u>43,834</u>
Operating Cash Disbursements:	
Personal Services	2,319
Contractual Services	17,501
Supplies and Materials	9,153
Other	1,193
Capital Outlay	4,662
	<u>34,828</u>
Total Operating Cash Disbursements	<u>34,828</u>
Operating Income/(Loss)	<u>9,006</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	4,061
	<u>4,061</u>
Total Non-Operating Cash Receipts	<u>4,061</u>
Non-Operating Cash Disbursements:	
Debt Service	11,283
	<u>11,283</u>
Total Non-Operating Cash Disbursements	<u>11,283</u>
Net Receipts Over/(Under) Disbursements	1,784
Fund Cash Balances, January 1	<u>55,128</u>
Fund Cash Balances, December 31	<u>\$56,912</u>

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,219		\$6,219
Municipal Income Tax	14,336		14,336
Intergovernmental Receipts	39,309	\$10,053	49,362
Earnings on Investments	363	64	427
Miscellaneous	6,091		6,091
	<u>66,318</u>	<u>10,117</u>	<u>76,435</u>
Total Cash Receipts			
	<u>66,318</u>	<u>10,117</u>	<u>76,435</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	10,004		10,004
Leisure Time Activities	5,922		5,922
Community Environment	824		824
Basic Utility Services	842	379	1,221
Transportation	7,026	10,308	17,334
General Government	24,953		24,953
	<u>49,571</u>	<u>10,687</u>	<u>60,258</u>
Total Cash Disbursements			
	<u>49,571</u>	<u>10,687</u>	<u>60,258</u>
Total Receipts Over/(Under) Disbursements	<u>16,747</u>	<u>(570)</u>	<u>16,177</u>
Other Financing Receipts and (Disbursements):			
Other Financing Uses	(400)		(400)
	<u>(400)</u>		<u>(400)</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(400)</u>		<u>(400)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>16,347</u>	<u>(570)</u>	<u>15,777</u>
Fund Cash Balances, January 1	<u>33,395</u>	<u>26,355</u>	<u>59,750</u>
Fund Cash Balances, December 31	<u>\$49,742</u>	<u>\$25,785</u>	<u>\$75,527</u>

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

VILLAGE OF SHERRODSVILLE
CARROLL COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$56,180
Miscellaneous	<u>8,066</u>
Total Operating Cash Receipts	<u>64,246</u>
Operating Cash Disbursements:	
Personal Services	2,383
Contractual Services	8,078
Supplies and Materials	5,242
Other	2,565
Capital Outlay	<u>4,000</u>
Total Operating Cash Disbursements	<u>22,268</u>
Operating Income/(Loss)	<u>41,978</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	<u>3,970</u>
Total Non-Operating Cash Receipts	<u>3,970</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>18,668</u>
Total Non-Operating Cash Disbursements	<u>18,668</u>
Net Receipts Over/(Under) Disbursements	27,280
Fund Cash Balances, January 1	<u>27,848</u>
Fund Cash Balances, December 31	<u><u>\$55,128</u></u>

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sherrodsville, Carroll County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides street maintenance and repair services, general governmental services, fire protection and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

3. Enterprise Funds

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

E-Van Fund - This fund receives charges for services receipts to cover the cost of providing emergency squad services.

VILLAGE OF SHERRODSVILLE
CARROLL COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	<u>\$141,791</u>	<u>\$130,655</u>

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$80,691	\$80,691
Special Revenue	0	10,904	10,904
Enterprise	0	47,895	47,895
Total	\$0	\$139,490	\$139,490

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,930	\$64,926	\$38,004
Special Revenue	20,500	17,317	3,183
Enterprise	71,000	46,111	24,889
Total	\$194,430	\$128,354	\$66,076

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,400	\$66,318	(\$15,082)
Special Revenue	5,500	10,117	4,617
Enterprise	19,500	68,216	48,716
Total	\$106,400	\$144,651	\$38,251

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,880	\$49,971	\$57,909
Special Revenue	15,500	10,687	4,813
Enterprise	50,500	40,936	9,564
Total	\$173,880	\$101,594	\$72,286

Contrary to Ohio Revised Code § 5705.36, the Village Clerk/Treasurer did not file a certificate of estimated resources with the County Auditor for 2003. Contrary to Ohio Revised Code § 5705.39, all 2003 appropriations exceeded the amounts certified as available for expenditure.

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. 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, 2003 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$14,258	5.5%

The loan proceeds were used to purchase a fire truck for the Village. The loan agreement was dated September 22, 2003 in the original amount of \$15,110. The maturity date of the loan is September 22, 2007. The loan is collateralized by the 1983 Ford Pierce Pumper fire truck.

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

	General Obligation Note
Year ending December 31:	
2004	\$4,223
2005	4,223
2006	4,223
2007	3,137
Total	\$15,806

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

7. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

8. RISK MANAGEMENT (Continued)

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>



Auditor of State Betty Montgomery

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

Village of Sherrodsville
Carroll County
PO Box 31
15 South Sherrod Avenue
Sherrodsville, Ohio 44675

To the Village Council:

We have audited the accompanying financial statements of the Village of Sherrodsville, Carroll County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 12, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as required, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item numbers 2003-001 and 2001-002. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 12, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 12, 2004.

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

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

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

Betty Montgomery
Auditor of State

July 12, 2004

VILLAGE OF SHERRODSVILLE
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Ohio Revised Code § 5705.41 (D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirement:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (\$3,000 after April 7, 2003), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 10% of tested expenditures for 2002 and 18% of tested expenditures for 2003. The Village did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Village should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

FINDING NUMBER 2003-002

Ohio Revised Code § 5705.36 states that on or about the first day of each fiscal year, the fiscal officer of each subdivision shall certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year. **Ohio Revised Code § 5705.39** prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Official Certificates of Estimated Resources.

As the Village failed to obtain a certificate of estimated resources in 2003, all appropriations exceeded the total amount certified.

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The Village Clerk/Treasurer should certify to the County Auditor the total amount from all sources and establish appropriations within the amounts available for expenditure.



**Auditor of State
Betty Montgomery**

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**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2004**