



**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 30, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sherwood, Defiance County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Sherwood, Defiance County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, for the year ended December 31, 2006, the Village changed its financial presentation from being comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* to the accounting practices the Auditor of State prescribed or permits.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

April 30, 2008

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$18,913	\$28,475		\$47,388
Municipal Income Tax	78,623			78,623
Intergovernmental	87,479	43,171	\$29,285	159,935
Charges for Services	6,100	42,643		48,743
Fines, Licenses and Permits	1,507	429		1,936
Earnings on Investments	9,744	471		10,215
Miscellaneous	4,082	1,883		5,965
	<u>206,448</u>	<u>117,072</u>	<u>29,285</u>	<u>352,805</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	37,178	38,441		75,619
Public Health Services	2,558			2,558
Leisure Time Activities	831	7,694	2,190	10,715
Community Environment	3,222			3,222
Basic Utility Service	2,504			2,504
Transportation		42,761		42,761
General Government	116,301			116,301
Debt Service:				
Redemption of Principal		12,923		12,923
Interest and Fiscal Charges		3,754		3,754
Capital Outlay	27,347	35,317	10,925	73,589
	<u>189,941</u>	<u>140,890</u>	<u>13,115</u>	<u>343,946</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>16,507</u>	<u>(23,818)</u>	<u>16,170</u>	<u>8,859</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		9,195		9,195
Transfers-Out	(17,855)			(17,855)
Advances-Out			(25,000)	(25,000)
Advances-In	25,000			25,000
	<u>7,145</u>	<u>9,195</u>	<u>(25,000)</u>	<u>(8,660)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,652	(14,623)	(8,830)	199
Fund Cash Balances, January 1	<u>84,577</u>	<u>130,563</u>	<u>21,793</u>	<u>236,933</u>
Fund Cash Balances, December 31	<u>\$108,229</u>	<u>\$115,940</u>	<u>\$12,963</u>	<u>\$237,132</u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$263,085		\$263,085
Fines, Licenses and Permits		\$645	645
Total Operating Cash Receipts	<u>263,085</u>	<u>645</u>	<u>263,730</u>
Operating Cash Disbursements:			
Personal Services	27,611		27,611
Employee Fringe Benefits	7,216		7,216
Contractual Services	36,389		36,389
Supplies and Materials	21,357		21,357
General Government		645	645
Other	2,135		2,135
Total Operating Cash Disbursements	<u>94,708</u>	<u>\$645</u>	<u>95,353</u>
Operating Income	<u>168,377</u>		<u>168,377</u>
Non-Operating Cash Receipts:			
Intergovernmental	250		250
Miscellaneous Receipts	6,689		6,689
Total Non-Operating Cash Receipts	<u>6,939</u>		<u>6,939</u>
Non-Operating Cash Disbursements:			
Capital Outlay	38,337		38,337
Redemption of Principal	43,723		43,723
Interest and Other Fiscal Charges	18,557		18,557
Total Non-Operating Cash Disbursements	<u>100,617</u>		<u>100,617</u>
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	74,699		74,699
Transfers-In	8,660		8,660
Net Cash Receipts Over Cash Disbursements	83,359		83,359
Fund Cash Balances, January 1	446,467		446,467
Fund Cash Balances, December 31	<u>\$529,826</u>		<u>\$529,826</u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$18,853	\$26,414		\$45,267
Municipal Income Tax	84,036			84,036
Intergovernmental	86,205	103,570	\$25,568	215,343
Charges for Services	6,730	36,518		43,248
Fines, Licenses and Permits	3,749	437		4,186
Earnings on Investments	8,647	627		9,274
Miscellaneous	2,740	297	12,519	15,556
	<u>210,960</u>	<u>167,863</u>	<u>38,087</u>	<u>416,910</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	39,484	66,711		106,195
Public Health Services	1,500			1,500
Leisure Time Activities	3,419	8,745	13,125	25,289
Community Environment	6,102			6,102
Basic Utility Service	5,678			5,678
Transportation		30,251		30,251
General Government	92,842			92,842
Debt Service:				
Redemption of Principal		17,742		17,742
Interest and Fiscal Charges		7,924		7,924
Capital Outlay	8,261	22,121	42,169	72,551
	<u>157,286</u>	<u>153,494</u>	<u>55,294</u>	<u>366,074</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>53,674</u>	<u>14,369</u>	<u>(17,207)</u>	<u>50,836</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		9,290	12,000	21,290
Transfers-Out	(27,195)			(27,195)
Advances-In			25,000	25,000
Advances-Out	(25,000)			(25,000)
Other Financing Sources	215			215
	<u>(51,980)</u>	<u>9,290</u>	<u>37,000</u>	<u>(5,690)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	1,694	23,659	19,793	45,146
Fund Cash Balances, January 1	<u>82,883</u>	<u>106,904</u>	<u>2,000</u>	<u>191,787</u>
Fund Cash Balances, December 31	<u>\$84,577</u>	<u>\$130,563</u>	<u>\$21,793</u>	<u>\$236,933</u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$264,181		\$264,181
Fines, Licenses and Permits		\$873	873
Total Operating Cash Receipts	264,181	873	265,054
Operating Cash Disbursements:			
Personal Services	27,842		27,842
Employee Fringe Benefits	10,879		10,879
Contractual Services	32,735		32,735
Supplies and Materials	20,486		20,486
General Government		873	873
Other	2,780		2,780
Total Operating Cash Disbursements	94,722	\$873	95,595
Operating Income	169,459		169,459
Non-Operating Cash Receipts:			
Intergovernmental	250		250
Miscellaneous Receipts	366		366
Total Non-Operating Cash Receipts	616		616
Non-Operating Cash Disbursements:			
Capital Outlay	23,926		23,926
Redemption of Principal	40,297		40,297
Interest and Other Fiscal Charges	20,355		20,355
Total Non-Operating Cash Disbursements	84,578		84,578
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	85,497		85,497
Transfers-In	5,905		5,905
Net Cash Receipts Over Cash Disbursements	91,402		91,402
Fund Cash Balances, January 1	355,065		355,065
Fund Cash Balances, December 31	\$446,467		\$446,467

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sherwood, Defiance, Ohio (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 six-member Council elected at large for four year terms, with one member acting as President of the Council. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department. The Village participates in one public entity risk pool. This organization is the Ohio Government Risk Management Plan (the "Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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).

In 2005, the Village reported the financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standards No. 34. For 2006, the Village reported on a regulatory basis. The Village no longer presents entity wide financial statements. The fund financial statements now present a column for each fund type, rather than a separate column for each major fund with non-major funds aggregated and presented in a single column.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

Emergency Management Services (EMS) Fund - The EMS Fund receives payments from residents of the Village and those in surrounding areas who receive emergency rescue services from Village emergency service personnel. Grants are also a source of revenue.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

NatureWorks Grant Fund - The NatureWorks Grant Fund is used to account for donations and contributions from residents of the Village of Sherwood and grant funds received from the State of Ohio Department of Natural Resources to develop a shelter, multi-sensory park, and support facilities at Sherwood Memorial Park.

Defiance County Grant Fund – The Defiance County Grant Fund is used to account for grants funds received and spent on behalf of the Village for the construction and repair of roads.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

4. Enterprise Funds

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

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

5. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Fund.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Village 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.

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Encumbrances

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 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$581,128	\$506,695
STAR Ohio	185,830	176,705
Total deposits and investments	<u>\$766,958</u>	<u>\$683,400</u>

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

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$190,423	\$206,448	\$16,025
Special Revenue	109,438	126,267	16,829
Capital Projects	28,732	29,285	553
Enterprise	199,168	278,684	79,516
Total	<u>\$527,761</u>	<u>\$640,684</u>	<u>\$112,923</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$300,000	\$207,796	\$92,204
Special Revenue	240,000	140,890	99,110
Capital Projects	25,525	13,115	12,410
Enterprise	645,636	195,325	450,311
Total	<u>\$1,211,161</u>	<u>\$557,126</u>	<u>\$654,035</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$167,116	\$211,175	\$44,059
Special Revenue	128,545	177,153	48,608
Capital Projects	61,862	50,087	(11,775)
Enterprise	139,816	270,702	130,886
Total	<u>\$497,339</u>	<u>\$709,117</u>	<u>\$211,778</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$250,000	\$184,481	\$65,519
Special Revenue	235,448	153,494	81,954
Capital Projects	63,862	55,294	8,568
Enterprise	494,882	179,300	315,582
Total	<u>\$1,044,192</u>	<u>\$572,569</u>	<u>\$471,623</u>

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX

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

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

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 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

6. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$95,988	5.15% - 9.86%
Sherwood State Bank Loans	177,563	4.875% - 5.25%
Fire Marshall Revolving Loan Program	56,373	
USDA Rural Development Mortgage Revenue Bonds	191,000	5%
Defiance County Revolving Loan	10,000	
Ohio Public Works Commission Loan	115,060	
Total	<u>\$645,984</u>	

The Ohio Water Development Authority (OWDA) loans were issued for the installation of water and sewer lines. The loan for the water line project was issued January 1, 1984, in the amount of \$124,242 to be repaid in semiannual installments of \$6,716, including interest, over 25 years. The loan for the sewer line project was approved in 2001 for a total of \$95,685 to be paid in semiannual installments of \$3,860, including interest, over 21 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT – (CONTINUED)

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

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

The Village has two loans with Sherwood State Bank. The Fire Truck loan was issued in June 2002, in the amount of \$185,000 to be repaid in semiannual installments of \$8,989 over 15 years. The Sewer repairs loan was issued in May 2003, in the amount of \$65,000 to be repaid in monthly installments of \$688 over 11 years.

The State Fire Marshal Revolving Loan was issued in November 2002 in the amount of \$84,559 for the purchase of a new ambulance. The Village is to make quarterly payments of \$1,409 over the next 15 years.

The Village entered into an agreement with the Defiance County Commissioners in 1998 for a Revolving Loan of \$25,000 to secure the completion of infrastructure due to the expansion of Mid-City Manufacturing. The loan is to be repaid in installments of \$2,500 over 10 years and the Village began making payment in 2002.

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

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds	Sherwood State Bank Loans	Fire Marshal Revolving Loan	OPWC Loan	Defiance County Revolving Loan
2008	\$ 21,152	\$ 24,550	\$ 35,222	\$ 4,228	\$ 7,935	\$ 2,500
2009	14,437	24,800	26,233	5,637	7,935	2,500
2010	7,721	25,000	26,232	5,638	7,935	2,500
2011	7,721	25,150	26,233	5,637	7,936	2,500
2012	7,721	24,250	26,232	5,638	7,935	
2013-2017	40,732	123,650	84,290	28,186	39,675	
2018-2022	61,324			1,409	35,709	
Total	<u>\$160,808</u>	<u>\$247,400</u>	<u>\$224,442</u>	<u>\$56,373</u>	<u>\$115,060</u>	<u>\$10,000</u>

7. RETIREMENT SYSTEM

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RETIREMENT SYSTEM – (CONTINUED)

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members, except law enforcement, contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Sherwood, Defiance County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 30, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

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A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated April 30, 2008.

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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain noncompliance matters that we reported to the Village's management in a separate letter dated April 30, 2008.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the finance committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 30, 2008

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness

Utility Software and Procedures

The Village utilizes Microsoft Access software to create utility invoices and to record customer payments. The following weaknesses were noted with regards to usage of the software as well as the processing of the utility receipts:

- Monthly edit reports were not generated to indicate what manual changes were made to any utility accounts. The Utility Clerk made manual changes to the accounts since the utility program did not correctly process pre-payments, write-offs of bad debt, and carry over balances.
- Monthly delinquent account reports were not generated by the computer as an indication of those individuals who should receive shut off notices and/or have their accounts written off. The Utility Clerk had to prepare handwritten lists of delinquents since the computer could not generate a list of accounts that are 30 days past due. The hand written delinquent list was not a complete list of all delinquent accounts.
- The computer software did not properly calculate penalties for 17% of the invoices tested.
- The computer system did not allocate the batches of receipts into amounts to be posted to the water fund and sewer fund. The Utility Clerk manually allocated the monies for the Village Clerk based on the utility stubs collected and prepared a hand written report of deposits. The bills sent to customers for the period March 1, 2007 to December 31, 2007 did not include a breakdown, of water fees, sewer fees, and penalties. The Utility Clerk had to hand calculate the breakdown for each payment she received that had penalties.
- Back-up disks were not maintained in a locked, secured area and were not maintained off-site.
- The daily deposits were not compared to computer printouts by Village management to verify the accuracy of deposits. There was no supervisory review of the invoices and penalties.
- The Village assesses water and sewer rates based on the number of individuals in a household recorded on the customer information forms. For 33% percent of the invoices tested, the number of members in the household per the invoice did not match the information on the customer information form or a form was not available for that customer.
- When the Utility Clerk is unavailable the employees of Grimm's Locker (a local retailer) collect the utility receipts. These individuals were not bonded.
- A ten dollar per month vacation rate was charged for some customers though no ordinance could be found to substantiate this rate.
- Some businesses did not have meters and were charged the residential rate for a single person household even though there was no ordinance establishing this rate for businesses. One business was charged a rate that was over twice as high as the standard business rate with no ordinance establishing the rate.

To strengthen controls and accountability over utility collections and ensure that utility receipts are being properly calculated and accounted for, we recommend the following:

- Village obtain utility computer software that can perform the following functions:
 - Print monthly edit reports which indicate any changes noted to utility accounts. Each change made should have an explanation as to why the change was made.

**FINDING NUMBER 2007-001
(Continued)**

- Generate a report of delinquent accounts each month as a means of issuing shut-off notices and approving writing off of any uncollectible accounts. The computer software should also carry the delinquent balance of accounts to the next month and include it on the next invoice printed.
 - Properly calculate and post penalties automatically to any account paid late or delinquent as of the time of the billing.
 - Generate monthly deposit reports which show the amounts to be posted to the Water Fund and the Sewer Fund.
 - Recognize overpayments and automatically apply the balance to future invoices.
-
- The Fiscal Officer or Administrator should reconcile the daily utility reports to the amount deposited. Any discrepancies between the collections and the deposit should be investigated and reconciled. This daily reconciliation and any corrections made should be fully documented.
 - Delinquent reports should be reviewed to determine what actions should be taken to collect delinquent accounts and which accounts should be written off. The Village may want to consider sending old delinquent accounts to a collection agency. All accounts to be written off should be approved by Village Council.
 - Back-up disks should be maintained on-site in a secured, fireproof safe or cabinet. A copy of the back-up disks should also be maintained off-site.
 - Customer information forms be obtained from all utility customers. Any changes to the number of household members be documented in writing by the customer.
 - The Village either obtain official's honesty bonds for the employee's of Grimm's Locker that collect utility receipts or prohibit them from collecting the receipts. A secure lock box could be utilized for customers to drop their payments into or the Village could make arrangements for a second payment location such as the bank.
 - The Administrator should review billings occasionally to ensure invoices are being correctly calculated, delinquent balances are being carried over, and penalties are being properly assessed.
 - The Village Council should update the utility rate ordinance to include a vacation rate and a business rate for non-metered businesses.

Officials' Response

In response to the report provided to us by the advance review report the Village of Sherwood is implementing changes which were recommended by the audit. In particular, the Village has ordered the asyst billing program from USTI and will begin using as soon as possible.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code § 1905.21 for not maintaining cash book for Mayor's Court.	No	Not Corrected. Reported in the management letter.
2005-002	Ohio Revised Code § 5705.41(D)(1) for not properly certifying disbursements.	No	Partially Corrected. Reported in the management letter.
2005-003	Recommended improvements to utility software and utility procedures.	No	Not Corrected. Reported as finding number 2007-001.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHERWOOD

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 27, 2008**