



Dave Yost • Auditor of State



VILLAGE OF SHERWOOD  
DEFIANCE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Sherwood, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sherwood, Defiance County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 22, 2014

**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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$17,888	\$29,592	\$47,480
Municipal Income Tax	71,496		71,496
Intergovernmental	42,378	45,050	87,428
Charges for Services	5,165	72,577	77,742
Fines, Licenses and Permits	4,075		4,075
Earnings on Investments	322	15	337
Miscellaneous	10,229	9,289	19,518
<i>Total Cash Receipts</i>	<u>151,553</u>	<u>156,523</u>	<u>308,076</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	17,101	52,247	69,348
Public Health Services	1,500		1,500
Leisure Time Activities	1,000	24,875	25,875
Community Environment	538		538
Transportation		29,149	29,149
General Government	107,867		107,867
Capital Outlay	4,330	2,279	6,609
Debt Service:			
Principal Retirement		20,063	20,063
Interest and Fiscal Charges		3,553	3,553
<i>Total Cash Disbursements</i>	<u>132,336</u>	<u>132,166</u>	<u>264,502</u>
<i>Excess of Receipts Over Disbursements</i>	<u>19,217</u>	<u>24,357</u>	<u>43,574</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		26,920	26,920
Transfers Out	(28,352)		(28,352)
Other Financing Sources	31		31
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(28,321)</u>	<u>26,920</u>	<u>(1,401)</u>
<i>Net Change in Fund Cash Balances</i>	(9,104)	51,277	42,173
<i>Fund Cash Balances, January 1</i>	<u>60,730</u>	<u>192,116</u>	<u>252,846</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		215,943	215,943
Committed		27,450	27,450
Unassigned	51,626		51,626
<i>Fund Cash Balances, December 31</i>	<u>\$51,626</u>	<u>\$243,393</u>	<u>\$295,019</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, 2013**

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$260,434</u>
<b>Operating Cash Disbursements</b>	
Personal Services	39,971
Employee Fringe Benefits	13,651
Contractual Services	40,198
Supplies and Materials	19,177
Other	<u>1,977</u>
<i>Total Operating Cash Disbursements</i>	<u>114,974</u>
<i>Operating Income</i>	<u>145,460</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	1,286
Capital Outlay	(37,601)
Principal Retirement	(38,746)
Interest and Other Fiscal Charges	<u>(8,288)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(83,349)</u>
<i>Income before Transfers</i>	62,111
Transfers In	<u>1,432</u>
<i>Net Change in Fund Cash Balances</i>	63,543
<i>Fund Cash Balances, January 1</i>	<u>757,871</u>
<i>Fund Cash Balances, December 31</i>	<u>\$821,414</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)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$17,419	\$51,258		\$68,677
Municipal Income Tax	71,368			71,368
Intergovernmental	54,345	47,613	\$5,775	107,733
Charges for Services	5,905	67,118		73,023
Fines, Licenses and Permits	5,084			5,084
Earnings on Investments	1,016	17		1,033
Contributions and Donations		15,376		15,376
Miscellaneous	5,582	4,045		9,627
<i>Total Cash Receipts</i>	<u>160,719</u>	<u>185,427</u>	<u>5,775</u>	<u>351,921</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	33,093	49,101		82,194
Public Health Services	2,093			2,093
Leisure Time Activities	934	32,038		32,972
Community Environment	538			538
Transportation		78,349		78,349
General Government	119,208			119,208
Capital Outlay	1,605	3,163	5,775	10,543
Debt Service:				
Principal Retirement		19,059		19,059
Interest and Fiscal Charges		4,557		4,557
<i>Total Cash Disbursements</i>	<u>157,471</u>	<u>186,267</u>	<u>\$5,775</u>	<u>349,513</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,248</u>	<u>(840)</u>		<u>2,408</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		20,684		20,684
Transfers Out	(22,499)			(22,499)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(22,499)</u>	<u>20,684</u>		<u>(1,815)</u>
<i>Net Change in Fund Cash Balances</i>	(19,251)	19,844		593
<i>Fund Cash Balances, January 1</i>	<u>79,981</u>	<u>172,272</u>		<u>252,253</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		179,350		179,350
Committed		12,766		12,766
Unassigned	60,730			60,730
<i>Fund Cash Balances, December 31</i>	<u>\$60,730</u>	<u>\$192,116</u>		<u>\$252,846</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)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$263,565		\$263,565
Fines, Licenses and Permits		\$587	587
<i>Total Operating Cash Receipts</i>	<u>263,565</u>	<u>587</u>	<u>264,152</u>
<b>Operating Cash Disbursements</b>			
Personal Services	39,553		39,553
Employee Fringe Benefits	14,917		14,917
Contractual Services	43,713		43,713
Supplies and Materials	31,640		31,640
Other	1,308	587	1,895
<i>Total Operating Cash Disbursements</i>	<u>131,131</u>	<u>\$587</u>	<u>131,718</u>
<i>Operating Income</i>	<u>132,434</u>		<u>132,434</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	100		100
Capital Outlay	(51,104)		(51,104)
Principal Retirement	(41,974)		(41,974)
Interest and Other Fiscal Charges	(9,769)		(9,769)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(102,747)</u>		<u>(102,747)</u>
<i>Income before Transfers</i>	29,687		29,687
Transfers In	1,815		1,815
<i>Net Change in Fund Cash Balances</i>	31,502		31,502
<i>Fund Cash Balances, January 1</i>	<u>726,369</u>		<u>726,369</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$757,871</u></u>		<u><u>\$757,871</u></u>

*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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sherwood, Defiance County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services (through 2012). The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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).

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

**C. Deposits and Investments**

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

Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Funds**

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

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

Parks and Recreation Fund – This fund receives donations and other miscellaneous receipts to fund renovations to the Crystal Fountain Auditorium as well as improvements and upkeep of the parks within the Village.

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

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

**3. Capital Project Funds**

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

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

**4. Enterprise Funds**

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

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

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

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 received costs fines and costs assessed by the Court to be disbursed to the State, Village, or the payee. The Mayor's Court disbanded in 2012.

**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, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

VILLAGE OF SHERWOOD  
DEFIANCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

G. **Property, Plant, and Equipment**

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

H. **Accumulated Leave**

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

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	\$934,937	\$829,291
STAR Ohio	181,496	181,426
Total deposits and investments	\$1,116,433	\$1,010,717

**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.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,639	\$151,584	\$13,945
Special Revenue	160,970	183,443	22,473
Enterprise	265,980	263,152	(2,828)
Total	\$564,589	\$598,179	\$33,590

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,000	\$160,688	\$37,312
Special Revenue	245,000	132,166	112,834
Enterprise	344,500	199,609	144,891
Total	\$787,500	\$492,463	\$295,037

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$147,364	\$160,719	\$13,355
Special Revenue	181,160	206,111	24,951
Capital Projects	5,775	5,775	
Enterprise	265,980	265,480	(500)
Total	\$600,279	\$638,085	\$37,806

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$211,425	\$179,970	\$31,455
Special Revenue	280,456	186,467	93,989
Capital Projects	5,775	5,775	
Enterprise	314,500	233,978	80,522
Total	\$812,156	\$606,190	\$205,966

**4. Property Tax**

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

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. 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 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, 2013 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$52,611	5.15%
Sherwood State Bank Loan No. 11-21441	56,647	5.25%
Fire Marshall Revolving Loan Program	22,549	
USDA Rural Development Mortgage Revenue Bonds	88,000	5.00%
Ohio Public Works Commission Loan No. CE30E	67,449	
Ohio Public Works Commission Loan No. CE09M	94,958	
Total	\$382,214	



**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt (Continued)**

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. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village had 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 loan is secured by the vehicle financed with the loan proceeds. 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. This loan was paid off in 2013.

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 15 years.

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

The Ohio Public Works Commission (OPWC) Loans relate to sewer 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 \$3,967 over 20 years. OPWC Loan No. CE09M related to the wastewater pump station replacement project. The loan amounted to a total of \$107,500 and will be paid in semiannual installments of \$1,792 over 30 years.

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

Year ending December 31:	OWDA Loan	Sherwood State Bank Loan	Fire Marshal Revolving Loan	Mortgage Revenue Bonds	OPWC Loans
2014	\$7,721	\$17,979	\$5,637	\$24,400	\$11,518
2015	7,721	17,979	5,637	25,400	11,519
2016	7,721	17,979	5,637	24,300	11,518
2017	7,721	8,989	5,638	25,200	11,519
2018	7,721				11,518
2019-2023	27,023				45,690
2024-2028					17,917
2029-2033					17,916
2034-2038					17,917
2039-2040					5,375
Total	<u>\$65,628</u>	<u>\$62,926</u>	<u>\$22,549</u>	<u>\$99,300</u>	<u>\$162,407</u>

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**8. Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**Risk Pool Membership**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013, respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013.

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Risk Management (Continued)**

	<b>2012</b>	<b>2013</b>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	\$6,413,188	\$5,805,909

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the governmental fund types are presented below:

Fund Balances	Governmental Fund Types		Total
	General	Special Revenue	
<b><i>For the year ended December 31, 2013:</i></b>			
<b>Restricted for</b>			
Road Maintenance and Improvements		\$51,232	\$51,232
Fire Operations		27,821	27,821
Emergency Medical Services		136,890	136,890
<i>Total Restricted</i>		215,943	215,943
<b>Committed for</b>			
Parks and Recreation		27,450	27,450
Unassigned	\$51,626		51,626
<i>Total Fund Balances</i>	\$51,626	\$243,393	\$295,019

***For the year ended December 31, 2012:***

<b>Restricted for</b>			
Road Maintenance and Improvements		\$41,020	\$41,020
Fire Operations		27,131	27,131
Emergency Medical Services		111,199	111,199
<i>Total Restricted</i>		179,350	179,350
<b>Committed for</b>			
Parks and Recreation		12,766	12,766
Unassigned	\$60,730		60,730
<i>Total Fund Balances</i>	\$60,730	\$192,116	\$252,846

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**10. Transfers**

The Village had transfers as follows in 2013 and 2012:

Fund	Transfers Out	Tranfers In:
<b><i>For the year ended December 31, 2013:</i></b>		
<b>General Fund</b>	<b>\$28,352</b>	
<b>Special Revenue Fund Type:</b>		
Parks and Recreation Fund		\$26,869
Fire and Rescue Fund		11
EMS Fund		40
<i>Total Special Revenue Fund Type</i>		26,920
<b>Enterprise Fund Type:</b>		
Water Operating Fund		138
Sewer Operating Fund		94
Refuse Fund		1,200
<i>Total Enterprise Fund Type</i>		1,432
		<b>\$28,352</b>
 <b><i>For the year ended December 31, 2012:</i></b>		
<b>General Fund</b>	<b>\$22,499</b>	
<b>Special Revenue Fund Type:</b>		
Street Construction, Maintenance, and Repair Fund		\$5,000
Parks and Recreation Fund		15,623
Fire and Rescue Fund		17
EMS Fund		44
<i>Total Special Revenue Fund Type</i>		20,684
<b>Enterprise Fund Type:</b>		
Water Operating Fund		184
Sewer Operating Fund		131
Refuse Fund		1,500
<i>Total Enterprise Fund Type</i>		1,815
		<b>\$22,499</b>

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 receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.



# Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Sherwood, Defiance County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 22, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses 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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 22, 2014

**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness**

**Monitoring of Financial Transactions**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village's financial statements for the years ended December 31, 2013 and 2012 contained posting errors, such as the following:

- In 2012, contributions and donations credited to the Parks and Recreation Fund totaling \$15,376 were posted to miscellaneous revenue instead of separately reporting these receipts as contributions and donations.
- In 2013, the Special Revenue Parks and Recreation Fund balance in the amount of \$27,450 was reclassified from "restricted" to "committed" in accordance with GASB 54, which established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The Village's Parks and Recreation Fund balance should be reported as "committed" as this fund includes amounts that can be used only for specific purposes (i.e. park and recreational purposes) pursuant to constraints imposed by formal action in Village Resolution No. 85-44.

Audit adjustments were made to the Village's financial statements to correct these and other posting discrepancies ranging from \$12 to \$27,450. The occurrence of such errors increases the possibility the financial statements and accounting records could be materially misstated. Inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Village. The financial statements and accounting records have been adjusted to reflect these corrections.

We recommend financial transactions only be included in the proper fund and account codes as specified in the Village Officers' Handbook issued by the Auditor of State. Furthermore, the Village Council should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Council Members to help ensure errors and omissions are detected and corrected.

**Officials' Response:**

The Fiscal Officer will try to correct these posting errors in the future and attempt to have the Village Council adopt policies and procedures to help ensure errors and omissions are detected and corrected.

## FINDING NUMBER 2013-002

### Noncompliance Citation

**Ohio Rev. Code, § 5705.41(D)(1)**, provides no subdivision or taxing unit 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 for the order or contract 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. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above where a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Council.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty-six percent of the transactions tested in 2013 and 2012 were not certified by the Fiscal Officer at the time the commitments were incurred and there was no evidence the Fiscal Officer followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.



**FINDING NUMBER 2013-002  
(Continued)**

We recommend the Fiscal Officer certify purchases to which Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders which include the certification language that Ohio Revised Code § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied.

**Officials' Response:**

The Fiscal Officer will attempt to certify purchases to meet the requirements of the Ohio Revised Code.

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**VILLAGE OF SHERWOOD  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Material Weakness on estimated revenue postings.	Yes	
2011-002	Material Weakness on monitoring of financial transactions.	No	Not Corrected. Reissued as finding 2013-001 in this report.
2011-003	Significant Deficiency for segregation of duties for utilities collections.	No	Partially Corrected. Reissued in the Management Letter.

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# Dave Yost • 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  
OCTOBER 9, 2014**