



Dave Yost • Auditor of State

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY
DECEMBER 31, 2017 AND 2016**

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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 Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the Village of Sherwood, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Sherwood, Defiance County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, 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

October 16, 2018

**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, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$23,920	\$29,933		\$53,853
Municipal Income Tax	83,533			83,533
Intergovernmental	43,579	55,078	\$21,652	120,309
Charges for Services	7,020	77,201		84,221
Fines, Licenses and Permits	5,551			5,551
Earnings on Investments	2,536	116		2,652
Miscellaneous	8,002	6,592		14,594
<i>Total Cash Receipts</i>	<u>174,141</u>	<u>168,920</u>	<u>21,652</u>	<u>364,713</u>
Cash Disbursements				
Current:				
Security of Persons and Property	19,133	59,540		78,673
Public Health Services	1,500			1,500
Leisure Time Activities	1,466	20,078		21,544
Community Environment	1,082			1,082
Basic Utility Services		688		688
Transportation		21,653		21,653
General Government	118,856			118,856
Capital Outlay	9,101	20,130	21,652	50,883
Debt Service:				
Principal Retirement		10,101		10,101
Interest and Fiscal Charges		1,062		1,062
<i>Total Cash Disbursements</i>	<u>151,138</u>	<u>133,252</u>	<u>\$21,652</u>	<u>306,042</u>
<i>Excess of Receipts Over Disbursements</i>	<u>23,003</u>	<u>35,668</u>		<u>58,671</u>
Other Financing Receipts (Disbursements)				
Transfers In		16,313		16,313
Transfers Out	(19,839)			(19,839)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(19,839)</u>	<u>16,313</u>		<u>(3,526)</u>
<i>Net Change in Fund Cash Balances</i>	3,164	51,981		55,145
<i>Fund Cash Balances, January 1</i>	<u>81,045</u>	<u>257,353</u>		<u>338,398</u>
Fund Cash Balances, December 31				
Restricted		302,108		302,108
Committed		7,226		7,226
Assigned	74,715			74,715
Unassigned	9,494			9,494
<i>Fund Cash Balances, December 31</i>	<u>\$84,209</u>	<u>\$309,334</u>		<u>\$393,543</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, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$264,022
Operating Cash Disbursements	
Personal Services	54,295
Employee Fringe Benefits	12,963
Contractual Services	129,942
Supplies and Materials	18,612
Other	403
<i>Total Operating Cash Disbursements</i>	216,215
<i>Operating Income</i>	47,807
Non-Operating Receipts (Disbursements)	
Intergovernmental	85,000
Miscellaneous Receipts	5,259
Capital Outlay	(44,076)
Principal Retirement	(41,431)
Interest and Other Fiscal Charges	(2,536)
<i>Total Non-Operating Receipts (Disbursements)</i>	2,216
<i>Income before Transfers</i>	50,023
Transfers In	3,526
<i>Net Change in Fund Cash Balances</i>	53,549
<i>Fund Cash Balances, January 1</i>	921,014
<i>Fund Cash Balances, December 31</i>	\$974,563

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

The Village of Sherwood (the Village), Defiance County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, and park operations. The Village has paramedics, intermediate EMTs, basic medical personnel and first responders who provide emergency medical services within the Village and other areas. A volunteer fire department provides fire services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 9 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for 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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets with 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.

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Community Development Block grant (CDBG) Fund – This fund receives CDBG grant monies administered through the Maumee Valley Planning Organization (MVPO) on behalf of the Village. Grant monies are used for costs associated with replacing the culvert on Fountain Street.

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 – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village and the Central Local School District.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 3 – 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:

	2017
Demand deposits	\$1,183,425
STAR Ohio	184,681
Total deposits and investments	\$1,368,106

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

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

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,187	\$174,141	\$22,954
Special Revenue	165,552	185,233	19,681
Capital Projects		21,652	21,652
Enterprise	350,445	357,807	7,362
Total	\$667,184	\$738,833	\$71,649

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$220,000	\$170,977	\$49,023
Special Revenue	242,650	133,252	109,398
Capital Projects	21,652	21,652	
Enterprise	479,500	304,258	175,242
Total	\$963,802	\$630,139	\$333,663

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Income tax proceeds are placed into the general fund.

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

Note 6 – Debt

Debt outstanding at December 31, 2017, was as follows

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan No. 3500	\$30,662	4%
Sherwood State Bank Loan No. 421096951	19,632	4.25%
Ohio Public Works Commission Loan No. CE30E	35,708	0%
Ohio Public Works Commission Loan No. CE09M	80,625	0%
Total	<u><u>\$166,627</u></u>	

The Ohio Water Development Authority (OWDA) loan was issued for the installation of sewer lines. The loan for the sewer line project was approved in 2001 for a total of \$95,685 to be paid in semiannual installments of \$3,860, including interest, over 21 years. In 2016, OWDA implemented an interest rate buy-down program. The Village's interest rate was lowered to 4% and the estimated savings the Village will realize over the remaining life of the loan is \$1,784. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

The 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 bonds were paid in full in 2017.

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 \$3,968 over 20 years. OPWC Loan No.CE09M was issued for the wastewater pump station replacement project. The loan was issued in 2010 for \$107,500 to be paid in semiannual payments of \$1,792 over 30 years.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

Year Ended December 31	OWDA Loan	Sherwood State Bank Loan	OPWC Loans
2018	\$7,721	\$11,163	\$11,518
2019	7,721	9,291	11,518
2020	7,721		11,518
2021	7,721		11,518
2022	3,860		7,551
2023-2027			17,917
2028-2032			17,917
2033-2037			17,917
2038-2040			8,959
Total	<u>\$34,744</u>	<u>\$20,454</u>	<u>\$116,333</u>

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contribute 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

Several employees such as the Mayor, Fire Chief, Council Members, and EMS employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Risk Management

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years. The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$5,292,512</u>

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

Note 10 – Interfund Transfers

During 2017, the following transfers were made:

Fund	Transfer In
Transfer From General Fund To:	
Special Revenue Funds:	
Parks and Recreation Fund	\$10,348
Fire and Rescue Fund	5,659
EMS Fund	306
Enterprise Funds:	
Water Operating Fund	948
Sewer Operating Fund	578
Refuse Fund	2,000
	<u>\$19,839</u>

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.

**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, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$19,923	\$29,938		\$49,861
Municipal Income Tax	86,129			86,129
Intergovernmental	47,945	43,753	\$42,882	134,580
Charges for Services	4,070	71,229		75,299
Fines, Licenses and Permits	3,484			3,484
Earnings on Investments	1,626	53		1,679
Miscellaneous	3,324	6,087		9,411
<i>Total Cash Receipts</i>	<u>166,501</u>	<u>151,060</u>	<u>42,882</u>	<u>360,443</u>
Cash Disbursements				
Current:				
Security of Persons and Property	16,837	58,709		75,546
Public Health Services	1,500			1,500
Leisure Time Activities	940	20,280		21,220
Community Environment	937			937
Basic Utility Services		672		672
Transportation		27,652		27,652
General Government	128,484			128,484
Capital Outlay	3,654	4,994	42,882	51,530
Debt Service:				
Principal Retirement		9,736		9,736
Interest and Other Fiscal Charges		1,427		1,427
<i>Total Cash Disbursements</i>	<u>152,352</u>	<u>123,470</u>	<u>\$42,882</u>	<u>318,704</u>
<i>Excess of Receipts Over Disbursements</i>	<u>14,149</u>	<u>27,590</u>		<u>41,739</u>
Other Financing Receipts (Disbursements)				
Transfers In		11,797		11,797
Transfers Out	(14,165)			(14,165)
Other Financing Sources	2,103			2,103
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12,062)</u>	<u>11,797</u>		<u>(265)</u>
<i>Net Change in Fund Cash Balances</i>	2,087	39,387		41,474
<i>Fund Cash Balances, January 1</i>	<u>78,958</u>	<u>217,966</u>		<u>296,924</u>
Fund Cash Balances, December 31				
Restricted		250,888		250,888
Committed		6,465		6,465
Assigned	68,813			68,813
Unassigned	12,232			12,232
<i>Fund Cash Balances, December 31</i>	<u>\$81,045</u>	<u>\$257,353</u>		<u>\$338,398</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, 2016**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$255,880
Operating Cash Disbursements	
Personal Services	42,057
Employee Fringe Benefits	9,859
Contractual Services	47,934
Supplies and Materials	18,081
Other	1,087
<i>Total Operating Cash Disbursements</i>	119,018
<i>Operating Income</i>	136,862
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	1,229
Capital Outlay	(50,455)
Principal Retirement	(39,138)
Interest and Other Fiscal Charges	(3,932)
<i>Total Non-Operating Receipts (Disbursements)</i>	(92,296)
<i>Income before Transfers</i>	44,566
Transfers In	2,368
<i>Net Change in Fund Cash Balances</i>	46,934
<i>Fund Cash Balances, January 1</i>	874,080
<i>Fund Cash Balances, December 31</i>	\$921,014

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting Entity

The Village of Sherwood (the Village), Defiance County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, and park operations. The Village has paramedics, intermediate EMTs, basic medical personnel and first responders who provide emergency medical services within the Village and other areas. A volunteer fire department provides fire services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 9 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for 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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets with 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.

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Community Development Block grant (CDBG) Fund – This fund receives CDBG grant monies administered through the Maumee Valley Planning Organization (MVPO) on behalf of the Village. Grant monies were used for costs associated with replacing the culvert on Fountain Street.

Defiance County Engineer Grant Fund – This fund receives permissive monies through the Defiance County Engineer’s Office. Monies were used to patch East Pearl Street, North Oak Street, and West Vine Street in addition to patching various streets throughout the Village.

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 – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village and the Central Local School District.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 4.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Deposits and Investments

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

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Deposits and Investments

The Village maintains a 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:

	2016
Demand deposits	\$1,076,690
Star Ohio	182,722
Total deposits and investments	\$1,259,412

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

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

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$144,685	\$168,604	\$23,919
Special Revenue	147,045	162,857	15,812
Capital Projects	42,882	42,882	
Enterprise	265,780	259,477	(6,303)
Total	\$600,392	\$633,820	\$33,428

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$220,000	\$166,517	\$53,483
Special Revenue	247,000	123,470	123,530
Capital Projects	42,882	42,882	
Enterprise	414,000	212,543	201,457
Total	\$923,882	\$545,412	\$378,470

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Income tax proceeds are placed into the general fund.

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

Note 6 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan No. 3500	\$36,575	4%
Sherwood State Bank Loan No. 421096951	29,733	4.25%
USDA Rural Development Mortgage Revenue Bonds	24,000	5%
Ohio Public Works Commission Loan No. CE30E	43,643	0%
Ohio Public Works Commission Loan No. CE09M	84,208	0%
Total	\$218,159	

The Ohio Water Development Authority (OWDA) loan was issued for the installation of sewer lines. The loan for the sewer line project was approved in 2001 for a total of \$95,685 to be paid in semiannual installments of \$3,860, including interest, over 21 years. In 2016, OWDA implemented an interest rate buy-down program. The Village's interest rate was lowered to 4% and the estimated savings the Village will realize over the remaining life of the loan is \$1,784. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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

Year Ended December 31	OWDA Loan	Sherwood State Bank Loan	Mortgage Revenue Bonds	OPWC Loans
2017	\$7,721	\$11,163	\$25,200	\$11,518
2018	7,721	11,163		11,518
2019	7,721	9,291		11,518
2020	7,721			11,518
2021	7,721			11,518
2022-2026	3,860			21,884
2027-2031				17,917
2032-2036				17,917
2037-2040				12,543
Total	<u>\$42,465</u>	<u>\$31,617</u>	<u>\$25,200</u>	<u>\$127,851</u>

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contribute 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Several employees such as the Mayor, Fire Chief, Council Members, and EMS employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 9 – Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	2016
Assets	<u>\$14,765,712</u>
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$5,234,206</u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Interfund Transfers

During 2016, the following transfers were made:

Fund	Transfer In
Transfer From General Fund To:	
Special Revenue Funds:	
Street Construction Maintenance & Repair Fund	\$2,000
Parks and Recreation Fund	8,606
Fire and Rescue Fund	1,035
EMS Fund	156
Enterprise Funds:	
Water Operating Fund	535
Sewer Operating Fund	333
Refuse Fund	1,500
	\$14,165

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.

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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 Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Sherwood, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 16, 2018 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

October 16, 2018

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

Monitoring of Financial Statements

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying 2017 and 2016 financial statements:

- Community Development Block Grant (CDBG) on-behalf of grant expenses totaling \$32,000 were incorrectly classified as basic utility services instead of capital outlay in the CDBG Capital Projects Fund in 2016.
- County Engineer permissive tax on-behalf of monies totaling \$10,882 were incorrectly classified as special assessments instead of intergovernmental revenues in the Defiance County Engineer Capital Projects Fund in 2016. In addition, corresponding disbursements also totaling \$10,882 were incorrectly classified as transportation instead of capital outlay.
- Community Development Block Grant (CDBG) on-behalf of grant receipts, disbursements, and appropriations totaling \$21,652 were not recorded in the CDBG Capital Projects Fund in 2017.
- General Fund subsequent year appropriations in excess of estimated receipts in the amount of \$10,000 were incorrectly classified as assigned fund balance instead of unassigned in 2016.
- General Fund subsequent year appropriations in excess of estimated receipts in the amount of \$74,715 were incorrectly classified as unassigned fund balance instead of assigned in 2017.
- Actual disbursements were understated by \$14,164 in the General Fund budgetary note to the financial statements in 2016.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

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

Officials' Response:

The Fiscal Officer will continue to monitor pertinent budgetary and postings to the financial statements and notes to the financial statements.

VILLAGE OF SHERWOOD

200 North Harrison St

PO Box 4545

Sherwood, OH 43556

<http://www.sherwoodohio.villagegovt.org/>

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding for recovery for money due but uncollected for emergency management services provided to Mark Township.	Corrective action taken and finding is fully corrected.	
2015-002	This finding was first reported in 2008. Material weakness for lack of monitoring of financial transactions due to errors in the financial statements.	Not corrected and reissued as finding 2017-001 in this report.	This comment was reissued primarily due to mispostings of on-behalf of grants, fund balance classifications, and budgetary notes. The Fiscal Officer will review the mispostings and take them into consideration for future audits.

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VILLAGE OF SHERWOOD

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2018