



**Auditor of State
Betty Montgomery**

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sherwood, Defiance County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Sherwood, Defiance County,

Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and the Fire and Rescue Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

April 28, 2006

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of Sherwood's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased by \$55,911 or 41 percent, a significant change from the prior year. The fund most affected by the increase in cash was the General Fund, due to this being the first full year which Sherwood had a 1% local income tax, which was enacted July 1, 2004.
- The Village's general receipts are primarily local government revenue assistance and grants, property and income taxes. Proceeds from local government revenue assistance, homestead and rollback revenues, and liquor and beer permits represent 25% of the total cash received for governmental activities for the year. Property tax revenue for 2005 was 12% which was changed little from the previous year and local income tax receipts for 2005 represent 16% of the village's receipts.
- The Business Type funds also show an increase of \$71,672 or 25% in net assets from the previous year. The Water Fund revenue is primarily village residents' and businesses' payments for water service. The Sewer Funds revenue is from village residents, businesses, Central Local School District, and an \$8.00 Sewer assessment charged monthly to utility customers.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village of Sherwood has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how Sherwood Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village of Sherwood's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village of Sherwood has two business-type activities, the provision of water and sewer service. Business-type activities are financed by fees charged to the customers receiving the service.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village of Sherwood's major funds – not the Village as a whole. The Village of Sherwood establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are governmental type and business-type funds.

Governmental Funds - The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Fire and Rescue Fund.

Proprietary Funds – When the Village of Sherwood charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Water Operating Fund and the Sewer Operating Fund. The information for non-major enterprise funds is combined and presented in total in a single column.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Assets						
Cash and Cash Equivalents	\$ 135,876	\$ 191,787	\$ 283,393	\$ 355,065	\$ 419,269	\$ 546,852
Total Assets	<u>\$ 135,876</u>	<u>\$ 191,787</u>	<u>\$ 283,393</u>	<u>\$ 355,065</u>	<u>\$ 419,269</u>	<u>\$ 546,852</u>
Net Assets						
Restricted for:						
Debt Service						
Capital Outlay		\$ 2,000				\$ 2,000
Other Purposes	\$ 103,469	106,904			103,469	106,904
Unrestricted	32,407	82,883	\$ 283,393	\$ 355,065	\$ 315,800	437,948
Total Net Assets	<u>\$ 135,876</u>	<u>\$ 191,787</u>	<u>\$ 283,393</u>	<u>\$ 355,065</u>	<u>\$ 419,269</u>	<u>\$ 546,852</u>

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

As mentioned previously, net assets of governmental activities increased \$ 55,911 or 41 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Growth in local tax receipts. This was the first full year which Sherwood received distributions from a 1% local income tax, which was enacted July 1, 2004.
- The Village of Sherwood reduced maintenance employee expenses.
- Interest rates at Sherwood State Bank and Star Ohio increased from the previous year.
- Reduced expenses in the General Fund.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$47,360	\$261,705	\$309,065
Operating Grants and Contributions	38,055		\$38,055
Capital Grants and Contributions	78,967		78,967
Total	<u>164,382</u>	<u>261,705</u>	<u>426,087</u>
General Receipts:			
Property and Other Local Taxes	38,656		38,656
Income Taxes	58,545		58,545
Grants and Entitlements Not Restricted	88,025		88,025
Interest	5,418		5,418
Miscellaneous	3,253		3,253
Total General Receipts	<u>193,897</u>		<u>193,897</u>
Total Receipts	<u>358,279</u>	<u>261,705</u>	<u>619,984</u>
Disbursements:			
General Government	65,153		65,153
Security of Persons and Property:	71,694		71,694
Public Health Services	1,500		1,500
Leisure Time Activities	8,851		8,851
Community Environment	2,075		2,075
Basic Utilities	219		219
Transportation	43,526		43,526
Capital Outlay	79,349		79,349
Principal Retirement	15,181		15,181
Interest and Fiscal Charges	10,485		10,485
Water Operating		91,976	91,976
Sewer Operating		97,571	97,571
Water Deposit Fund		2,448	2,448
Sewer Deposit Fund		1,070	1,070
Refuse		1,303	1,303
Total Disbursements	<u>298,033</u>	<u>194,368</u>	<u>492,401</u>
Excess Before Transfers	60,246	67,337	127,583
Transfer -In/(Out)	(4,335)	4,335	
Increase in Net Assets	<u>55,911</u>	<u>71,672</u>	<u>127,583</u>
Net Assets, January 1, 2004	135,876	283,393	419,269
Net Assets, December 31, 2004	<u>\$191,787</u>	<u>\$355,065</u>	<u>\$546,852</u>

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Program receipts represent 69 percent of the total receipts and are primarily comprised of charges for services which represents 50 percent of the total revenues.

General receipts represent 31 percent of the Village of Sherwood's total receipts, and of this amount, of which 20 percent are property taxes and 30 percent are income taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (45 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, Village Administrator, Fiscal Officer and the audit as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the parks and playing fields; the community environment department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and capital outlay, which account for 24 and 27 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 22 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
General Government	\$65,153	\$57,887
Security of Persons and Property	71,694	(31,086)
Public Health Services	1,500	1,500
Leisure Time Activities	8,851	8,256
Community Environment	2,075	1,610
Basic Utilities	219	219
Transportation	43,526	(9,750)
Capital Outlay	79,349	79,349
Principal Retirement	15,181	15,181
Interest and Fiscal Charges	10,485	10,485
Total Expenses	<u>\$298,033</u>	<u>\$133,651</u>

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The dependence upon property and income tax receipts is apparent as over 32.6 percent of governmental activities are supported through these general receipts.

Business-type Activities

In the business-type activities, program receipts account for 98 % of the total business-type receipts and are entirely primarily comprised of charges for services (i.e. water and sewer charges).

The water operation and sewer operation of the Village routinely reports more receipts than cash disbursements. This surplus will be used to help fund future improvements to the water and sewer systems.

The Village's Funds

Total governmental funds had receipts and other financing sources of \$368,164 and disbursements and other financing uses of \$312,253. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$50,476 primarily as the result of the 1% local income tax which was enacted July 1, 2004. General Fund receipts were more than disbursements which indicates the health of the General Fund is improving.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village of Sherwood did not amend its General Fund although several other funds were amended several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts in most funds. The difference between final budgeted receipts and actual receipts was not significant.

The Village of Sherwood appropriates all its estimated receipts and available fund balances. The Village takes due diligence in keeping spending to a respectable level in order to assure funds for future projects.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements.

Debt

At December 31, 2005, the Village of Sherwood's outstanding debt totaled \$760,667 which included \$219,000 from the USDA, \$123,228 from the OWDA, \$130,930 from the OPWC, \$67,647 from the Fire Marshall Revolving Loan, and \$15,000 from the Defiance County Revolving Loan. The Village also has two loans from the Sherwood State Bank. The loan at Sherwood State Bank for a new fire truck has outstanding debt of \$153,703 and the other loan for lagoon improvements has a balance of \$51,159.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Current Issues

The challenge for all Village's is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. The Village of Sherwood relies heavily on local taxes and has very little industry to support the tax base. The Village is hoping in the near future to attract more industry to the Village. Another huge source of funds for the Village are Grants and Entitlements. The Village of Sherwood is involved in a low income survey at the present time which could help the village to qualify for additional grant funds in the future to help with several much needed water and sewer projects.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Dawn Buskirk, Fiscal Officer, Village of Sherwood, P. O. Box 4545., Sherwood, Ohio 43556-0545.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 191,787	\$ 355,065	\$ 546,852
<i>Total Assets</i>	<u>\$ 191,787</u>	<u>\$ 355,065</u>	<u>\$ 546,852</u>
Net Assets:			
Restricted for:			
Capital Projects	\$ 2,000		2,000
Other Purposes	106,904		106,904
Unrestricted	<u>82,883</u>	<u>355,065</u>	<u>437,948</u>
<i>Total Net Assets</i>	<u>\$ 191,787</u>	<u>\$ 355,065</u>	<u>\$ 546,852</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 71,694	\$ 39,034	\$ 5,996	\$ 57,750
Public Health Services	1,500			
Leisure Time Activities	8,851	595		
Community Environment	2,075	465		
Basic Utility Services	219			
Transportation	43,526		32,059	21,217
General Government	65,153	7,266		
Capital Outlay	79,349			
Debt Service:				
Principal Retirement	15,181			
Interest and Fiscal Charges	10,485			
<i>Total Governmental Activities</i>	<u>298,033</u>	<u>47,360</u>	<u>38,055</u>	<u>78,967</u>
Business-Type Activities:				
Water	91,976	127,044		
Sewer	97,571	131,471		
Water Deposit	2,448	2,065		
Sewer Deposit	1,070	875		
Refuse	1,303	250		
<i>Total Business-Type Activities</i>	<u>194,368</u>	<u>261,705</u>		
Totals	<u><u>\$ 492,401</u></u>	<u><u>\$ 309,065</u></u>	<u><u>\$ 38,055</u></u>	<u><u>\$ 78,967</u></u>

General Cash Receipts and Transfers:

Property Taxes Levied For:

 General Purposes

 Fire and Rescue

Municipal Income Tax

Grants and Entitlements Not Restricted to Specific Programs

Investment Receipts

Miscellaneous

Total General Cash Receipts

Transfers

Total General Cash Receipts, Transfers, and Advances

Change in Net Cash Assets

Net Cash Assets at Beginning of Year

Net Cash Assets at End of Year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts
and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ 31,086		\$ 31,086
(1,500)		(1,500)
(8,256)		(8,256)
(1,610)		(1,610)
(219)		(219)
9,750		9,750
(57,887)		(57,887)
(79,349)		(79,349)
(15,181)		(15,181)
(10,485)		(10,485)
<u>(133,651)</u>		<u>(133,651)</u>
	\$ 35,068	35,068
	33,900	33,900
	(383)	(383)
	(195)	(195)
	<u>(1,053)</u>	<u>(1,053)</u>
	67,337	67,337
<u>(133,651)</u>	<u>67,337</u>	<u>(66,314)</u>
15,298		15,298
23,358		23,358
58,545		58,545
88,025		88,025
5,418		5,418
3,253		3,253
<u>193,897</u>		<u>193,897</u>
(4,335)	4,335	
<u>189,562</u>	<u>4,335</u>	<u>193,897</u>
55,911	71,672	127,583
<u>135,876</u>	<u>283,393</u>	<u>419,269</u>
<u>\$ 191,787</u>	<u>\$ 355,065</u>	<u>\$ 546,852</u>

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Fire and Rescue	Other Governmental Funds	Total Governmental Funds
Cash Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 82,883	\$ 41,869	\$ 67,035	\$ 191,787
Total Assets	\$ 82,883	\$ 41,869	\$ 67,035	\$ 191,787
Fund Cash Balances:				
Unreserved, Undesignated:				
General Fund	\$ 82,883			\$ 82,883
Special Revenue Funds		41,869	\$ 65,035	106,904
Capital Projects Funds			\$ 2,000	2,000
<i>Total Fund Cash Balances</i>	\$ 82,883	\$ 41,869	\$ 67,035	\$ 191,787

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND CHANGES IN
MODIFIED CASH FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Fire and Rescue	Other Governmental Funds	Total Governmental Funds
Cash Receipts:				
Municipal Income Taxes	\$ 58,545			\$ 58,545
Property and Other Local Taxes	15,298	\$ 23,358		38,656
Intergovernmental	88,026	56,746	\$60,276	205,048
Charges for Services	6,335	18,500	21,403	46,238
Fines, Licenses, and Permits	951		170	1,121
Investment Income	4,994		424	5,418
Other	2,031	296	925	3,252
<i>Total Cash Receipts</i>	176,180	98,900	83,198	358,278
Cash Disbursements:				
Current:				
General Government:				
Security of Persons and Property	36,056	27,131	8,507	71,694
Public Health Services	1,500			1,500
Leisure Time Activities	981		7,869	8,850
Community Environment	2,075			2,075
Basic Utility Services	219			219
Transportation			43,526	43,526
General Government	65,153			65,153
Capital Outlay	5,500	50,618	23,231	79,349
Debt Service:				
Principal Retirement		9,544	7,687	17,231
Interest and Fiscal Charges		8,435		8,435
<i>Total Cash Disbursements</i>	111,484	95,728	90,820	298,032
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	64,696	3,172	(7,622)	60,246
Other Financing Sources (Uses):				
Transfers-In		535	9,350	9,885
Transfers-Out	(14,220)			(14,220)
<i>Total Other Financing Sources (Uses)</i>	(14,220)	535	9,350	(4,335)
Net Change in Fund Balances	50,476	3,707	1,728	55,911
<i>Fund Cash Balances at Beginning of Year</i>	32,407	38,162	65,307	135,876
<i>Fund Cash Balances at End of Year</i>	\$ 82,883	\$ 41,869	\$ 67,035	\$ 191,787

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Cash Receipts:				
Property and Other Local Taxes	\$ 15,400	\$ 15,400	\$ 15,298	\$ (102)
Municipal Income Tax	25,000	25,000	58,545	33,545
Intergovernmental	86,047	86,047	88,026	1,979
Charges for Services	7,500	7,500	6,335	(1,165)
Fines, Licenses, and Permits	1,600	1,600	951	(649)
Investment Income	2,120	2,120	4,994	2,874
Miscellaneous	1,000	1,000	2,032	1,032
<i>Total Cash Receipts</i>	<u>138,667</u>	<u>138,667</u>	<u>176,181</u>	<u>37,514</u>
Cash Disbursements:				
Current:				
General Government:				
Security of Persons and Property	37,648	37,648	36,056	1,592
Public Health Services	1,500	1,500	1,500	
Leisure Time Activities	2,500	2,500	981	1,519
Community Environment	5,412	5,412	2,075	3,337
Basic Utility Services	898	898	219	679
General Government	75,134	75,134	65,153	9,981
Capital Outlay	33,761	33,761	5,500	28,261
<i>Total Cash Disbursements</i>	<u>156,853</u>	<u>156,853</u>	<u>111,484</u>	<u>45,369</u>
<i>Excess of Cash Receipts Over/ (Under) Cash Disbursements</i>	<u>(18,186)</u>	<u>(18,186)</u>	<u>64,697</u>	<u>82,883</u>
Other Financing Sources (Uses):				
Transfers-Out	(14,220)	(14,220)	(14,220)	
<i>Total Other Financing Sources (Uses)</i>	<u>(14,220)</u>	<u>(14,220)</u>	<u>(14,220)</u>	
<i>Net Change in Fund Balance</i>	(32,406)	(32,406)	50,477	82,883
<i>Fund Cash Balance at Beginning of Year</i>	32,406	32,406	32,406	
<i>Fund Cash Balance at End of Year</i>	<u><u>32,406</u></u>	<u><u>32,406</u></u>	<u><u>\$ 82,883</u></u>	<u><u>\$ 82,883</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -
FIRE AND RESCUE FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Cash Receipts:				
Property and Other Local Taxes	\$ 27,000	\$ 27,000	\$ 23,358	\$ (3,642)
Intergovernmental	11,232	38,842	56,745	17,903
Charges for Services	7,668	15,471	18,500	3,029
Miscellaneous			296	296
<i>Total Cash Receipts</i>	<u>45,900</u>	<u>81,313</u>	<u>98,899</u>	<u>17,586</u>
Cash Disbursements:				
Current:				
General Government:				
Security of Persons and Property	36,375	38,400	27,131	11,269
Capital Outlay	30,287	59,375	50,618	8,757
Debt Service:				
Principal Retirement	9,600	9,600	9,544	56
Interest and Fiscal Charges	8,500	8,500	8,435	65
<i>Total Cash Disbursements</i>	<u>84,762</u>	<u>115,875</u>	<u>95,728</u>	<u>20,147</u>
<i>Excess of Cash Receipts Over/ (Under) Cash Disbursements</i>	<u>(38,862)</u>	<u>(34,562)</u>	<u>3,171</u>	<u>37,733</u>
Other Financing Sources (Uses):				
Transfers-In	1,000	1,000	535	(465)
<i>Total Other Financing Sources (Uses)</i>	<u>1,000</u>	<u>1,000</u>	<u>535</u>	<u>(465)</u>
<i>Net Change in Fund Balance</i>	<u>(37,862)</u>	<u>(33,562)</u>	<u>3,706</u>	<u>37,268</u>
<i>Fund Cash Balance at Beginning of Year</i>	<u>38,163</u>	<u>38,163</u>	<u>38,163</u>	
<i>Fund Cash Balance at End of Year</i>	<u>\$ 301</u>	<u>\$ 4,601</u>	<u>\$ 41,869</u>	<u>\$ 37,268</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31,2005

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise Funds	Total
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 140,528	\$ 172,706	\$ 41,831	\$ 355,065
<i>Total Assets</i>	<u>\$ 140,528</u>	<u>\$ 172,706</u>	<u>\$ 41,831</u>	<u>\$ 355,065</u>
Net Assets:				
Unrestricted	\$ 140,528	\$ 172,706	41,831	355,065
<i>Total Net Assets</i>	<u>\$ 140,528</u>	<u>\$ 172,706</u>	<u>\$ 41,831</u>	<u>\$ 355,065</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other	Total
Operating Cash Receipts:				
Charges for Services	\$ 127,044	\$ 131,471	\$ 3,190	\$ 261,705
Operating Cash Disbursements:				
Personal Services	19,007	9,792		28,799
Employee Fringe Benefits	6,183	4,822		11,005
Contractual Services	13,056	25,767		38,823
Materials and Supplies	11,227	6,443		17,670
Other			3,518	3,518
<i>Total Operating Cash Disbursements</i>	<u>49,473</u>	<u>46,824</u>	<u>3,518</u>	<u>99,815</u>
<i>Operating Income/(Loss)</i>	<u>77,571</u>	<u>84,647</u>	<u>(328)</u>	<u>161,890</u>
Nonoperating Cash Receipts (Disbursements):				
Capital Outlay	(30,200)	(2,000)	(1,303)	(33,503)
Principal Payments	(9,020)	(29,959)		(38,979)
Interest and Fiscal Charges	(3,283)	(18,788)		(22,071)
Transfers-In	1,250	1,585	1,500	4,335
<i>Total Nonoperating Cash Receipts (Disbursements)</i>	<u>(41,253)</u>	<u>(49,162)</u>	<u>197</u>	<u>(90,218)</u>
<i>Changes in Net Cash Assets</i>	36,318	35,485	(131)	71,672
<i>Net Cash Assets at Beginning of Year</i>	104,210	137,221	41,962	283,393
<i>Net Cash Assets at End of Year</i>	<u>\$ 140,528</u>	<u>\$ 172,706</u>	<u>\$ 41,831</u>	<u>\$ 355,065</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sherwood, Defiance, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms, with one member acting as President of the Council. The Mayor is elected to a four-year term and votes only to break a tie.

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

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

B. Basis of Accounting

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

The Village of Sherwood's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

C. Fund Accounting

The Village of Sherwood uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has two major governmental funds, the General Fund and the Fire and Rescue Fund:

General Fund - General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

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

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

Fiduciary Fund

Any funds that the Village acts in an agency capacity are classified as Agency Funds. Fiduciary funds include the agency fund. The Mayor's Court Fund receives revenues from tickets issued by the police department. Corresponding expenditures are made to the applicable governmental agencies. There was no balance in the Mayor's Court as of December 31, 2005.

D. Basis of Presentation

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

E. The Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds. The council must annually approve appropriation measures and

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

F. Equity in Pooled Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Village invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. 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, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$4,994 which includes \$4,181 assigned from other Village funds.

G. Capital Assets

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 2 – CHANGE IN BASIS OF ACCOUNTING

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 1. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

There are no adjustments to beginning fund balances since the basis of accounting has not changed. The Village's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities and the fund statements that provide a more detailed level of financial information.

NOTE 3 – COMPLIANCE

The District also did not properly certify certain Village disbursements as required by Ohio law.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Fire and Rescue Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no encumbrances outstanding at year end.

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$285,434 of the Village's bank balance of \$385,434 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Village invested \$168,306 of carrying value and fair market value in STAR Ohio.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

NOTE 6 – INCOME TAXES

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$6.1 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$6,567,580
Agriculture	\$69,250
Commercial/Industrial/Mineral	\$1,386,250
Public Utility Property	
Real	\$16,120
Personal	\$597,350
Tangible Personal Property	\$725,082
Total Assessed Value	<u><u>\$9,361,632</u></u>

NOTE 8 – RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RISK MANAGEMENT – (CONTINUED)

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

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5 percent portion the Plan retains. With policies effective September 1, 2003, and after, the Plan pays the lesser of 5 percent or \$25,000 for casualty losses up to the coverage limit and the lesser of 5 percent or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Ohio Government Risk Management Plan's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earning at December 31 (the latest available):

	2004	2003
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$7,913, \$7,920, and \$7,796 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$11,227 made by the Village and \$7,043 made by the plan members.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$3,314. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.9 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 – DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>					
General Obligation Bonds					
Sherwood State Bank	5.25%	\$163,247	\$(9,544)	\$153,703	\$10,039
Fire Marshal Revolving Loan	0%	73,284	(5,637)	67,647	4,228
Defiance County Revolving Loan	0%	14,350	(2,050)	12,300	2,050
Total Governmental Activities		<u>\$250,881</u>	<u>\$(17,231)</u>	<u>\$233,650</u>	<u>\$16,317</u>
<u>Business-type Activities</u>					
	5.15% -				
OWDA Loans	9.86%	\$135,247	\$(12,019)	\$123,228	\$13,055
USDA Rural Development Mortgage Revenue Bonds	5.00%	232,000	(13,000)	219,000	13,000
OPWC Loan	0%	138,865	(7,935)	130,930	7,935
Sherwood State Bank	4.875%	56,734	(5,575)	51,159	5,857
Revolving Loan Defiance County	0%	3,150	(450)	2,700	450
Total Business-type Activities		<u>\$565,996</u>	<u>\$(38,979)</u>	<u>\$527,017</u>	<u>\$40,297</u>
Total Long Term Obligations		<u>\$816,877</u>	<u>\$(56,210)</u>	<u>\$760,667</u>	<u>\$56,614</u>

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

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

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

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

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 – DEBT – (CONTINUED)

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

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

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

Year ending December 31	OWDA Loans	Mortgage Revenue Bonds	Sherwood State Bank Loans	Fire Marshal Revolving Loan	OPWC Loans	Defiance County Revolving Loan
2006	\$21,152	\$23,950	\$26,233	\$4,228	\$7,935	\$2,500
2007	21,152	25,300	26,233	5,637	7,935	2,500
2008	21,152	24,550	26,233	5,637	7,935	2,500
2009	14,437	24,800	26,233	5,637	7,935	2,500
Subsequent	125,219	198,050	163,040	46,508	95,223	5,000
Totals	<u>\$203,112</u>	<u>\$296,650</u>	<u>\$267,972</u>	<u>\$67,647</u>	<u>\$126,963</u>	<u>\$15,000</u>

NOTE 12– INTERFUND TRANSFERS

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Parks and Recreation	\$7,015
Fire and Rescue	535
EMS	335
NatureWorks Grant Fund	2,000
Water Operating	1,250
Sewer Operating	1,585
Refuse	1,500
Total Transfers from the General Fund	<u>\$14,220</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 13 – CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Sherwood, Defiance County (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 28, 2006, in which we disclosed the Village prepares its financial statements on the modified cash basis of accounting. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of finding as item 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated April 28, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated April 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance committee, management, and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 28, 2006

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code Section 1905.21 states in part that the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket. Neither the mayor of a municipal corporation nor a mayor's court magistrate shall retain or receive for his own use any of the fines, forfeitures, fees, or costs he collects. A mayor's court magistrate shall account for all such fines, forfeitures, fees, and costs he collects and transfer them to the mayor. The mayor shall account for and dispose of all such fines, forfeitures, fees, and costs he collects, including all such fines, forfeitures, fees, and costs that are transferred to him by a mayor's court magistrate, as provided in section 733.40 of the Revised Code.

The mayor did not maintain a cashbook of the Mayor's court activity for 2005. This resulted in the inability to readily determine the revenues, disbursements, and balances of the Mayor's Court Fund. In order to provide a more accurate accounting of the revenue, disbursements and balances of the Mayor's Court, we recommend the Mayor use a cashbook to record the financial transactions of the mayor's court.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that 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, 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 that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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.

**FINDING NUMBER 2005-002
(Continued)**

3. Super Blanket Certificate – The Village 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 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.

Eighty-seven percent of the transactions tested for 2005 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village 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 that 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 that the Clerk-Treasurer certify that 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.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 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 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2005-003

Reportable Condition

Utility Software and Procedures

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

- Daily, monthly, and yearly transaction reports did not indicate the total amount collected.
- Monthly edit reports were not generated to indicate whether manual changes were made to any utility accounts.
- Monthly delinquent account reports were not generated as indication of those individuals who should receive shut off notices and/or have their accounts written off. Delinquent account balances were not carried forward to the next invoice so customers were billed less than they actually owed on three percent of the bills tested for 2005.
- The computer software did not automatically assess penalties for late payments. The Utility Clerk hand calculated the penalties and changed the computer invoices to include the penalties. Penalties were not properly assessed on 7% of the bills tested for 2005. This amounts to a potential estimated loss of revenues to the Village of \$1,752.
- The computer system did not allocate the batches of receipts into amounts to be posted to the water fund and sewer fund. The Utility Clerk manually allocated the monies for the Village Clerk based on the utility stubs collected and prepared a hand written report of deposits.
- Passwords were not utilized to enter the utility billing system. Back-up disks were not maintained in a locked, secured area and they were not maintained off-site.

**FINDING NUMBER 2005-003
(Continued)**

- The daily deposits were not compared to computer printouts by Village Management to verify the accuracy of deposits. There was no supervisory review of the invoices, penalties, or delinquent accounts by Village Management.
- The Village assesses water and sewer rates based on the number of individuals in a household recorded on the customer information sheets. For 42 percent of the invoices tested, the number of members in the household per the invoice did not match the information on the customer information sheet or a sheet was not available for that customer.
- When the Utility Clerk is unavailable the employees of Grimm's Locker collect the utility receipts. These individuals are not bonded. These individuals also have access to the utility billing computer system which is not password protected.

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

- Village obtain utility computer software that can perform the following functions:
 - Generate utility reports that provide the total collections. These reports should be reconciled to the batch of utility stubs and the money deposited. All documents should be filed in a consistent manner. Any discrepancies between the collections and the deposit should be investigated and reconciled. This daily reconciliation and any corrections made should be fully documented.
 - Print monthly edit reports which indicate any changes noted to utility accounts. Each change made should have an explanation as to why the change was made.
 - Generate a report of delinquent accounts each month as a means of issuing shut-off notices and approving writing off of any uncollectible accounts. The computer software should also carry the delinquent balance of accounts to the next month and include it on the next invoice printed.
 - Calculate and post penalties automatically to any account paid late or delinquent as of the time of the billing.
 - Generate monthly deposit reports which show the amounts to be posted to the water fund and the sewer fund. All monthly deposit reports should provide totals.
- Passwords be utilized to enter the utility billing system. Passwords should be at least six characters and they should be changed every three months. Back-up disks should be maintained on-site in a secured, fireproof safe or cabinet. A copy of the back-up disks should also be maintained off-site.
- Customer information sheets be obtained from all utility customers. Any changes to the number of household members be documented in writing by the customer.
- The Village either bond the employee's of Grimm's Locker that collect utility receipts or prohibit them from collecting the receipts. A lock box could be utilized for customers to drop their payments into or the Village could make arrangements for a second payment location such as the bank.
- The work of the Utility Clerk be reviewed by the Administrator. The Administrator should review billings occasionally to ensure invoices are being correctly calculated, delinquent balances are being carried over, and penalties are being properly assessed. The Fiscal Officer or Administrator should compare the deposits to the daily transaction printouts to ensure the correct amount is being deposited.

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**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code § 2335.23, requires a Mayor's to maintain a cashbook for Mayor's Court.	No	Repeated as 2005-001.
2004-002	Ohio Revised Code § 5705.41(D)(1) requires expenditure to be prior certified.	No	Repeated as 2005-002.
2004-003	Deficiencies in controls over utilities receipts.	No	Repeated as 2005-003.



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800-282-0370

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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
MAY 25, 2006**