

**VILLAGE OF SHERRODSVILLE  
CARROLL COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**





# Mary Taylor, CPA

Auditor of State

The Honorable Mayor and Members of Council  
Village of Sherrodsville  
P.O. Box 31  
15 South Sherrod Avenue  
Sherrodsville, Ohio 44675

We have reviewed the *Independent Auditors' Report* of the Village of Sherrodsville, Carroll County, prepared by Willoughby & Company, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The 2004 financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your 2004 financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your 2004 financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the 2004 statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the 2004 financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Sherrodsville is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA  
Auditor of State

April 24, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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**VILLAGE OF SHERRODSVILLE  
CARROLL COUNTY**

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# WILLOUGHBY & COMPANY, INC.

*Certified Public Accountants*

216 North Broadway, P.O. Box 1021, New Philadelphia, Ohio 44663

Phone (330) 602-1322 • Fax (330) 602-2610

## INDEPENDENT AUDITORS' REPORT

Village of Sherrodsville  
Carroll County  
15 South Sherrod Avenue, P.O. Box 31  
Sherrodsville, Ohio 44675

To the Honorable Mayor and Members of Village Council:

We have audited the accompanying financial statements of the Village of Sherrodsville, Carroll County, Ohio (the Village) as of and for the year ended December 31, 2004. In addition, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sherrodsville, Carroll County, Ohio as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatements. 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. We believe our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 2, the Village has prepared the 2004 financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material. Also, as discussed in Note 2, the accompanying 2005 financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its 2004 statements.

Since the Village does not use GAAP to measure the 2004 financial statement amounts, the following paragraph does not imply the amounts reported for the year ended December 31, 2004 are materially misstated under the accounting basis the Auditor of State permits.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, the financial statements referred to above for the year ended December 31, 2005 present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2005, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Street Construction and Maintenance and Repair Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Sherrodsville, Carroll County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis as of December 31, 2004, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard 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 January 31, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of and audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in accessing 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 and 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.



Willoughby & Company, Inc. - Certified Public Accountants

January 31, 2008

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005  
Unaudited

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This discussion and analysis of the Village of Sherrodsville's 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 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:

#### **Governmental Activities**

Net assets of governmental activities decreased \$20,775, or 28% from the prior year.

The Village's general receipts were primarily property taxes, municipal income tax and intergovernmental revenues. These receipts represent respectively 96% of the total cash received for governmental activities during the year.

#### **Business Activities**

The Village of Sherrodsville has two enterprise funds: 1) E-Van and 2) Community Fire Department. The overall change in net assets for these funds was due to the increased operations of the Community Fire Department, since its implementation in 2003.

### **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 Government's 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.

#### **Basis of Accounting**

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

As a result of using the 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 cash basis of accounting.



Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005  
Unaudited

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**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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 draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of 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, streets and parks. State and federal grants 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's business-type activities, include the provision of E-Van and Community Fire Department Funds.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village 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 split into three categories: governmental, proprietary and fiduciary.

Governmental Funds – Most of the Village's activities are reported in 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 Street Construction Maintenance and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005  
Unaudited

**Reporting the Village's Most Significant Funds (continued)**

Proprietary Funds – When the Village 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 enterprise funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

**The Village as a Whole**

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

(Table 1)						
Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Cash and Cash Equivalents	\$ 52,048	\$ 72,823	\$ 67,153	\$ 63,216	\$ 119,201	\$ 136,039
<b>Net Assets</b>						
Unrestricted	52,048	72,823	67,153	63,216	119,201	136,039
Total Net Assets	\$ 52,048	\$ 72,823	\$ 67,153	\$ 63,216	\$ 119,201	\$ 136,039

The net assets of governmental activities decreased \$20,775 or 28 percent during 2005. The primary reason contributing to the decrease in cash balances are as follows:

- Intergovernmental receipts decreased \$14,735 as compared to 2004.
- Loan amounts paid for the purchase of equipment

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

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005  
Unaudited

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services and Sales		\$ 61,340	\$ 61,340
Operating Grants and Contributions		8,975	8,975
Capital Grants and Contributions		188,716	188,716
<b>Total Program Receipts</b>	<b>0</b>	<b>259,031</b>	<b>259,031</b>
<b>General Receipts:</b>			
Property and Other Local Taxes	\$ 7,366		7,366
Municipal Income Tax	19,835		19,835
Grants and Entitlements Not Restricted to Specific Programs	47,493		47,493
Interest	175		175
Miscellaneous	3,054		3,054
<b>Total General Receipts</b>	<b>77,923</b>	<b>0</b>	<b>77,923</b>
<b>Total Receipts</b>	<b>77,923</b>	<b>259,031</b>	<b>336,954</b>
<b>Disbursements:</b>			
Security of Persons and Property	13,331		13,331
Leisure Time Activities	5,782		5,782
Basic Utility Services	8,059		8,059
Transportation	18,169		18,169
General Government	29,712		29,712
Capital Outlay	16,912	188,616	205,528
Personal Services		2,639	2,639
Contractual Services		10,364	10,364
Supplies and Materials		21,536	21,536
Other		6,099	6,099
<b>Debt Service:</b>			
Principal Retirement	3,497	45,068	48,565
Interest and Fiscal Charges	174	2,807	2,981
<b>Total Disbursements</b>	<b>95,636</b>	<b>277,129</b>	<b>372,765</b>
<b>Excess (Deficiency) Before Other Financing Sources (Uses)</b>	<b>(17,713)</b>	<b>(18,098)</b>	<b>(35,811)</b>
<b>Other Financing Sources (Uses):</b>			
Sale of Notes	7,912	9,035	16,947
Sale of Fixed Asset	2,026		2,026
Transfers	(13,000)	13,000	0
<b>Increase (Decrease) in Net Assets</b>	<b>(20,775)</b>	<b>3,937</b>	<b>(16,838)</b>
<b>Net Assets, January 1</b>	<b>72,823</b>	<b>63,216</b>	<b>136,039</b>
<b>Net Assets, December 31</b>	<b>\$ 52,048</b>	<b>\$ 67,153</b>	<b>\$ 119,201</b>

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005  
Unaudited

**The Village as a Whole (continued)**

General receipts represent 23% of the Village's total receipts, and of this amount, over 35% was property and income taxes. 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, mayor and clerk, as internal services such as payroll and purchasing. Since these costs do not represent direct services to resident, we try to limit these costs.

Security of Persons and Property are the costs of police protection; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities (attached), 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 Personal and Property, Transportation and General Government, which account for 64% of all governmental disbursements, respectively. 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
Security of Persons and Property	\$ 13,331	\$ (13,331)
Leisure Time Activities	5,782	(5,782)
Basic Utility Services	8,059	(8,059)
Transportation	18,169	(18,169)
General Government	29,712	(29,712)
Capital Outlay	16,912	(16,912)
Debt Service:		
Principal Retirement	3,497	(3,497)
Interest and Fiscal Charges	174	(174)
<b>Total Expenses</b>	<b>\$ 95,636</b>	<b>\$ (95,636)</b>

The dependence upon property, municipal income and intergovernmental receipts is apparent as all governmental activities are supported through these general receipts.

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005  
Unaudited

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**Business-type Activities**

The E-Van fund covers the local area with emergency squad services. The fund is continuing to pay back a loan for the squad that was taken out in 2004.

The Community Fire Department continues to expand. The Department received a Fire Act grant to purchase a 2005 International Pierce 200 gallon tanker truck. A small portion of the total purchase had to be financed.

**The Government's Fund**

Total governmental funds had receipts of \$77,923 and disbursements of \$95,636. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$20,775 as the result of decreased intergovernmental receipts.

**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.

The Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to intergovernmental receipts and an increase in earnings on investments. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$0 while actual disbursements were \$95,636 because the Village over Estimated General Government Expenditures by \$48,399 which makes up a majority of the difference.

**Capital Assets and Debt Administration**

**Capital Assets**

The Government does not currently keep track of its capital assets and infrastructure.

**Debt Administration**

At December 31, 2005, the Village had outstanding debt. For further information regarding the Village's debt, refer to the notes to the financial statements.

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005  
Unaudited

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**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local taxes and have no industry to support the tax base. As tax revenues fail to keep up with increased expenses, it is the hope that the services the Village provides will not decrease in quality and quantity. The finance committee and the administration maintained a very conservative approach when preparing the budget for 2006. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. We have reduced spending in departments where it would have the least impact on services. All departments have been asked to monitor all expenditures.

**Contacting the Government'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 Valerie Worrell, Clerk/Treasurer, Village of Sherrodsville, P.O. Box 31, 15 South Sherrod Avenue, Sherrodsville, Ohio 44675.

Village of Sherrodsville  
Carroll County

Statement of Net Assets - Cash Basis  
December 31, 2005

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 52,048</u>	<u>\$ 67,153</u>	<u>\$ 119,201</u>
	<u><u>\$ 52,048</u></u>	<u><u>\$ 67,153</u></u>	<u><u>\$ 119,201</u></u>
<b>Net Assets</b>			
Unrestricted	<u>\$ 52,048</u>	<u>\$ 67,153</u>	<u>\$ 119,201</u>
<i>Total Net Assets</i>	<u><u>\$ 52,048</u></u>	<u><u>\$ 67,153</u></u>	<u><u>\$ 119,201</u></u>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 13,331				\$ (13,331)	0	\$ (13,331)
Leisure Time Activities	5,782				(5,782)	0	(5,782)
Basic Utility Services	8,059				(8,059)	0	(8,059)
Transportation	18,169				(18,169)	0	(18,169)
General Government	29,712				(29,712)	0	(29,712)
Capital Outlay	16,912				(16,912)	0	(16,912)
Debt Service:							
Principal Retirement	3,497				(3,497)	0	(3,497)
Interest and Fiscal Charges	174				(174)	0	(174)
<b>Total Governmental Activities</b>	<b>\$ 95,636</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$ (95,636)</b>	<b>0</b>	<b>\$ (95,636)</b>
<b>Business Type Activities</b>							
E-Van Operating	\$ 29,864	\$ 61,340	\$ 2,875	\$ 9,000		\$ 43,351	\$ 43,351
Other Enterprise	199,390		6,100	179,716		(13,574)	(13,574)
Debt Service:							
Principal Retirement	45,068					(45,068)	(45,068)
Interest and Fiscal Charges	2,807					(2,807)	(2,807)
<b>Total Business Type Activities</b>	<b>\$ 277,129</b>	<b>\$ 61,340</b>	<b>\$ 8,975</b>	<b>\$ 188,716</b>	<b>0</b>	<b>\$ (18,098)</b>	<b>\$ (18,098)</b>
<b>Total Primary Government</b>	<b>\$ 372,765</b>	<b>\$ 61,340</b>	<b>\$ 8,975</b>	<b>\$ 188,716</b>	<b>\$ (95,636)</b>	<b>\$ (18,098)</b>	<b>\$ (113,734)</b>

	Net (Disbursements) Receipts and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts</b>			
Property Taxes	\$ 7,366		\$ 7,366
Municipal Income Tax	19,835		19,835
Grants and Entitlements not Restricted to Specific Programs	47,493		47,493
Earnings on Investments	175		175
Miscellaneous	3,054		3,054
<b>Total General Receipts</b>	<b>77,923</b>	<b>0</b>	<b>77,923</b>
Sale of Notes	7,912	\$ 9,035	16,947
Sale of Fixed Assets	2,026		2,026
Transfers	(13,000)	13,000	0
<b>Total Receipts</b>	<b>74,861</b>	<b>22,035</b>	<b>96,896</b>
Change in Net Assets	(20,775)	3,937	(16,838)
<b>Net Assets Beginning of Year</b>	<b>72,823</b>	<b>63,216</b>	<b>136,039</b>
<b>Net Assets End of Year</b>	<b>\$ 52,048</b>	<b>\$ 67,153</b>	<b>\$ 119,201</b>



**Village of Sherrodsville  
Carroll County**

Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005

	General	Street Construction Maint. Rep.	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 31,717	\$ 14,217	\$ 6,114	\$ 52,048
	<u>\$ 31,717</u>	<u>\$ 14,217</u>	<u>\$ 6,114</u>	<u>\$ 52,048</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 31,717			\$ 31,717
Special Revenue Funds		\$ 14,217	\$ 6,114	\$ 20,331
<i>Total Fund Balances</i>	<u>\$ 31,717</u>	<u>\$ 14,217</u>	<u>\$ 6,114</u>	<u>\$ 52,048</u>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005

	General	Street Construction Maint. Rep.	Other Governmental Fund	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 7,366			\$ 7,366
Municipal Income Tax	19,835			19,835
Intergovernmental	23,074	\$ 14,170	\$ 10,249	47,493
Earnings on Investments	149	17	9	175
Miscellaneous	3,054			3,054
<b>Total Receipts</b>	<b>53,478</b>	<b>14,187</b>	<b>10,258</b>	<b>77,923</b>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	13,331			13,331
Leisure Time Activities	5,782			5,782
Basic Utility Services	6,927	1,132		8,059
Transportation		6,695	11,474	18,169
General Government	29,712			29,712
Capital Outlay	16,912			16,912
Debt Service:				
Principal Payment	3,497			3,497
Interest and Fiscal Charges	174			174
<b>Total Disbursements</b>	<b>76,335</b>	<b>7,827</b>	<b>11,474</b>	<b>95,636</b>
Excess Receipts Over (Under) Disbursements	(22,857)	6,360	(1,216)	(17,713)
<b>Other Financing Sources (Uses)</b>				
Sale of Notes	7,912			7,912
Sale of Fixed Assets	2,026			2,026
Transfers-Out	(13,000)			(13,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,062)</b>	<b>0</b>	<b>0</b>	<b>(3,062)</b>
<b>Net Change in Fund Balances</b>	<b>(25,919)</b>	<b>6,360</b>	<b>(1,216)</b>	<b>(20,775)</b>
Fund Cash Balances, Beginning of Year	57,636	7,857	7,330	72,823
<b>Fund Cash Balances, End of Year</b>	<b>\$ 31,717</b>	<b>\$ 14,217</b>	<b>\$ 6,114</b>	<b>\$ 52,048</b>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Statement of Receipts, Disbursements and  
Changes In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 8,000	\$ 8,000	\$ 7,366	\$ (634)
Municipal Income Tax	15,000	15,000	19,835	4,835
Intergovernmental	42,000	42,000	23,074	(18,926)
Earnings on Investments	120	120	149	29
Other	3,000	3,000	3,054	54
<i>Total Receipts</i>	<u>68,120</u>	<u>68,120</u>	<u>53,478</u>	<u>(14,642)</u>
<b>Disbursements</b>				
Current:				
Security of Person and Property	4,600	15,600	13,331	2,269
Leisure Time Activities		3,500	5,782	(2,282)
Basic Utility Services	5,000	7,680	6,927	753
General Government	65,500	81,042	29,712	51,330
Capital Outlay			16,912	(16,912)
Debt Service:				
Principal Payment			3,497	(3,497)
Interest and Fiscal Charges			174	(174)
<i>Total Disbursements</i>	<u>75,100</u>	<u>107,822</u>	<u>76,335</u>	<u>31,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,980)</u>	<u>(39,702)</u>	<u>(22,857)</u>	<u>16,845</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Note			7,912	(7,912)
Sale of Fixed Asset		2,026	2,026	0
Transfers-In	10,000	10,000		10,000
Transfers-Out	(15,000)	(30,600)	(13,000)	(17,600)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>(18,574)</u>	<u>(3,062)</u>	<u>(15,512)</u>
<i>Net Change in Fund Balance</i>	<u>(11,980)</u>	<u>(58,276)</u>	<u>(25,919)</u>	<u>1,333</u>
<i>Fund Balance Beginning of Year</i>	<u>57,636</u>	<u>57,636</u>	<u>57,636</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 45,656</u>	<u>\$ (640)</u>	<u>\$ 31,717</u>	<u>\$ 1,333</u>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Street Construction Maintenance and Repair  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 10,000	\$ 12,500	\$ 14,170	\$ 1,670
Fines, Licenses & Permits	2,500	2,500	0	(2,500)
Earnings on Investments	15	15	17	2
<i>Total Receipts</i>	<u>12,515</u>	<u>15,015</u>	<u>14,187</u>	<u>(828)</u>
<b>Disbursements</b>				
Current:				
Basic Utility Services	1,300	1,300	1,132	168
Transportation	14,200	14,200	6,695	7,505
<i>Total Disbursements</i>	<u>15,500</u>	<u>15,500</u>	<u>7,827</u>	<u>7,673</u>
<i>Net Change in Fund Balance</i>	(2,985)	(485)	6,360	6,845
<i>Fund Balance Beginning of Year</i>	<u>7,857</u>	<u>7,857</u>	<u>7,857</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 4,872</u>	<u>\$ 7,372</u>	<u>\$ 14,217</u>	<u>\$ 6,845</u>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Statement of Net Assets - Cash Basis  
Proprietary Funds  
December 31, 2005

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	<u>E-Van Operating</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 63,397	\$ 3,756	\$ 67,153
	<u>\$ 63,397</u>	<u>\$ 3,756</u>	<u>\$ 67,153</u>
<b>Net Assets</b>			
Unrestricted	\$ 63,397	\$ 3,756	\$ 67,153
<i>Total Net Assets</i>	<u>\$ 63,397</u>	<u>\$ 3,756</u>	<u>\$ 67,153</u>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2005

	E-Van Operating	Other Enterprise Fund	Total
<b>Operating Receipts</b>			
Charges for Services	\$ 61,340		\$ 61,340
Total Receipts	<u>61,340</u>		<u>61,340</u>
<b>Operating Disbursements</b>			
Personal Services	2,639		2,639
Contractual Services	10,364		10,364
Supplies and Materials	16,861	\$ 4,675	21,536
Other		6,099	6,099
Capital Outlay		188,616	188,616
Total Disbursements	<u>29,864</u>	<u>199,390</u>	<u>229,254</u>
Operating Income (Loss)	<u>31,476</u>	<u>(199,390)</u>	<u>(167,914)</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>			
Intergovernmental Receipts	9,000	179,716	188,716
Sale of notes		9,035	9,035
Miscellaneous Receipts	2,875	6,100	8,975
Principal Payments	(40,778)	(4,290)	(45,068)
Interest and Fiscal Charges	(2,098)	(709)	(2,807)
Transfers-In		13,000	13,000
Total Non-Operating Receipts (Disbursements)	<u>(31,001)</u>	<u>202,852</u>	<u>171,851</u>
Net Change in Net Assets	475	3,462	3,937
Fund Cash Balances, Beginning of Year	<u>62,922</u>	<u>294</u>	<u>63,216</u>
Fund Cash Balances, End of Year	<u>\$ 63,397</u>	<u>\$ 3,756</u>	<u>\$ 67,153</u>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Combined Statement of Cash Receipts, Cash Disbursements and  
Changes in Fund Cash Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2004

	<u>Governmental Fund Types</u>		Total
	General	Special Revenue	(Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 8,037		\$ 8,037
Municipal Income Tax	17,807		17,807
Intergovernmental	37,809	\$ 30,972	68,781
Earnings on Investments	144	25	169
Miscellaneous	7,731		7,731
<b>Total Cash Receipts</b>	<b>71,528</b>	<b>30,997</b>	<b>102,525</b>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	13,239		13,239
Leisure Time Activities	9,365		9,365
Basic Utility Services	6,771	1,200	7,971
Transportation		33,982	33,982
General Government	40,024		40,024
<b>Total Cash Disbursements</b>	<b>69,399</b>	<b>35,182</b>	<b>104,581</b>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<b>2,129</b>	<b>(4,185)</b>	<b>(2,056)</b>
<b>Other Financing Uses:</b>			
Transfers-Out	(10,000)		(10,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,000)</b>		<b>(10,000)</b>
<b>Excess of Cash Receipts Over/(Under) Disbursements and Other Financing Uses</b>	<b>(7,871)</b>	<b>(4,185)</b>	<b>(12,056)</b>
<b>Fund Cash Balances, January 1</b>	<b>65,507</b>	<b>19,372</b>	<b>84,879</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 57,636</b>	<b>\$ 15,187</b>	<b>\$ 72,823</b>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Combined Statement of Cash Receipts, Cash Disbursements and  
Changes in Fund Cash Balances  
All Proprietary Fund Types  
For the Year Ended December 31, 2004

	Proprietary Fund Types
	Enterprise
<b>Operating Receipts:</b>	
Charges for Services	\$60,453
Miscellaneous	9,120
	69,573
Total Operating Receipts	69,573
<b>Operating Expenses:</b>	
Personal Services	2,639
Contractual Services	10,100
Supplies and Materials	75,034
Other	1,775
Capital Outlay	119,059
	208,607
Total Operating Cash Disbursements	208,607
Operating Income/(Loss)	(139,034)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	67,691
Sale of Note	88,122
	155,813
Total Non-Operating Cash Receipts	155,813
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Redemption of Principal	(17,158)
Interest	(3,317)
	135,338
Total Non-Operating Cash Receipts/Disbursements	135,338
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(3,696)
Transfers-In	10,000
	6,304
Net Income (loss)	6,304
Fund Cash Balances, January 1	56,912
	63,216
Fund Cash Balances, December 31	63,216

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



**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 1 – Reporting Entity**

The Village of Sherrodsville, County County, Ohio, 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. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term, appoints the President of Council from elected council persons, and votes only to break a tie.

The reporting entity is comprised of the primary governmental, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

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, maintenance of Village roads and bridges, park operations and ambulatory services. The Village contracts with the Carroll County Sheriff's department for police protection.

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**

**A. Basis of Accounting**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This 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 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 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.

For 2005, the Village'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 that provide a more detailed level of financial information.

**Government-Wide Financial Statements**

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, except for fiduciary funds. 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 Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 2 – Summary of Significant Accounting Policies (continued)**

The statement of net assets presents the cash balance and debt 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 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 non-operating 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 non-operating.

For 2004, the Village's basic financial statement consists of a Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances for all Governmental and Proprietary Fund Types.

**B. Fund Accounting**

The Village 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 two categories, governmental and proprietary.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund and the Street Construction Maintenance and Repair fund. There are two additional governmental funds: the State Highway fund and other miscellaneous fund. The street fund is established to care, organize and control the public streets, avenues and alleys within the village. The General Services Superintendent has primary responsibility under the direction of the Mayor and Council for the maintenance and repair of the streets. The State Highway fund is established to maintain portions of State Route 39 and State Route 212 that navigate through the village. The 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. The other miscellaneous governmental fund of the Village account for grants and other resources whose use is restricted to a particular purpose.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**B. Fund Accounting (continued)**

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The proprietary fund is classified as either enterprise or internal service. The Village has two proprietary funds that were classified as enterprise; the E-Van fund and Community Fire Department fund. The Village had no internal service funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no fiduciary funds.

For 2004, the Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

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

Special Revenue Funds

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

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

Enterprise Funds

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

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

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**C. Basis of Presentation**

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this 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 liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, 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 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 certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. 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.

**E. 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 is Pooled Cash and Cash Equivalents."

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents. The Village had no funds held separately in any other accounts.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 2 – Summary of Significant Accounting Policies (continued)**

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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.

The Village had no investments during 2005 and 2004.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the Governmental Fund types during 2005 and 2004 was \$174 and \$169, respectively.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village did not report any restricted assets during 2005 or 2004.

**G. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. 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.

**I. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. 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 cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**L. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. It is not necessary to record a capital asset when entering into a capital lease because it is the result of a cash transaction. Neither other financing sources nor capital outlay expenditures are reported at inception. Lease payments are reported when paid.

**M. 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. Net assets restricted for other purposes include resources restricted for the Street Construction and Maintenance fund and the State Highway fund.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net asset are available.

**N. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**O. 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 3 – Change in Basis of Accounting and Restatement of Fund Equity**

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 cash basis of accounting described in Note 2. 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.

Also, as described in Note 2, the Village has NOT elected to report inventory, prepaid items, inter-fund receivable (payable), capital assets and long-term debt as part of the cash basis of accounting.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

**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 Street Construction, Maintenance and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). There are no encumbrances outstanding at year end for any of the funds and no outstanding advances.

Budgetary activity for the year ended December 31, 2004 is follows:

2004 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 57,100	\$ 71,528	\$ 14,428
Special Revenue	29,794	30,997	1,203
Proprietary	66,566	69,573	3,007
Total	<u>\$ 153,460</u>	<u>\$ 172,098</u>	<u>\$ 18,638</u>

Budgetary activity for the year ended December 31, 2004 is follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 108,220	\$ 82,361	\$ 25,859
Special Revenue	31,672	31,180	492
Proprietary	160,216	140,960	19,256
Total	<u>\$ 300,108</u>	<u>\$ 254,501</u>	<u>\$ 45,607</u>

**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 the 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.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 5 – Deposits and Investments (continued)**

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;
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).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited within the institution.

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. Payments for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**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 December 31, 2005, \$20,214 of the Village's bank balance of \$120,214 was exposed to custodial credit risk. At December 31, 2004, \$39,609 of the Village's bank balance of \$139,609 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.



**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 5 – Deposits and Investments (continued)**

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**

The Village had no investments during 2005 or 2004.

**Note 6 – Income Taxes**

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**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, respectively. 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 respectively, 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 the 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.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 7 – Property Taxes (continued)**

The full tax rate for all Village operations for the year ended December 31, 2005, was \$3.90 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	\$ 1,989,740
Agricultural	14,200
Commercial/Industrial/Mineral	354,770
Public Utility Property	
Real	740
Personal	123,020
Tangible Personal Property	<u>82,220</u>
 Total Assessed Value	 <u>\$ 2,564,690</u>

**Note 8 – Inter-fund Receivable/Payable**

No Inter-fund balances existed at December 31, 2005 or 2004.

**Note 9 – Risk Management**

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

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

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

**Casualty Coverage**

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP provides excess *excess of funds* available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

Through 2004, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 9 – Risk Management (continued)**

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**Property Coverage**

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

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 29,719,675	\$ 27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained Earnings	<u>\$ 13,725,507</u>	<u>\$ 13,557,131</u>
 <u>Property Coverage</u>	 <u>2005</u>	 <u>2004</u>
Assets	\$ 4,443,332	\$ 3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained Earnings	<u>\$ 3,375,087</u>	<u>\$ 3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 10 – Defined Benefit Pension Plan**

**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. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. For those classifications, the Village's pension contributions were 16.70 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

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 \$1,805, \$1,820, and \$1,816 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**Note 9 - 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 (16.70) percent for public safety and law enforcement); 4.0 percent of covered payroll was the portion that was used to fund health care.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

**Note 9 - Postemployment Benefits (continued)**

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 6.30 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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, 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.

**Note 10 – Debt**

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

	<u>Interest</u>	<u>Balance December 31, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>
<u>Governmental Activities</u>					
General Obligation Note - Ventrac Lawn Mower Issued in 2005-Originally \$16,912	4.35%	\$ 0	\$ 16,912	\$ 12,497	\$ 4,415
<u>Proprietary Activities</u>					
General Obligation Note - 1983 Ford Pierce Pumper Issued in 2003-Originally \$15,110	5.50%	\$ 14,258	\$ 0	\$ 7,319	\$ 6,939
General Obligation Note - 2003 Ford Squad Issued 2004-Originally \$88,122	4.00%	\$ 0	\$ 88,122	\$ 54,329	\$ 33,793
General Obligation Note – 2005 International Pierce Fire Truck Issued 2005-Originally \$9,035	4.75%	\$ 0	\$ 9,035	\$ 578	\$ 8,457
Totals		<u>\$ 14,258</u>	<u>\$ 114,069</u>	<u>\$ 74,145</u>	<u>\$ 53,604</u>

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 10 – Debt (continued)**

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

Year ending December 31:	<u>Promissory Note</u>
2006	\$ 30,388
2007	29,332
2008	<u>5,471</u>
Totals	<u>\$ 65,191</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

**Note 11 – Interfund Transfers**

During 2005, the following transfer was made:

Transfer from the General Fund to: Community Fire Department Fund	\$13,000
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During 2004, the following transfer was made:

Transfer from the General Fund to: Community Fire Department Fund	\$10,000
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Transfers represent the allocation of unrestricted receipts collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# WILLOUGHBY & COMPANY, INC.

*Certified Public Accountants*

216 North Broadway, P.O. Box 1021, New Philadelphia, Ohio 44663

Phone (330) 602-1322 • Fax (330) 602-2610

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

Village of Sherrodsville  
Carroll County  
15 South Sherrod Avenue, P.O. Box 31  
Sherrodsville, Ohio 44675

To the Honorable Mayor and Members of Village Council:

We have audited the financial statements of the Village of Sherrodsville, Carroll County, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated January 31, 2008, wherein we noted the financial statements for the period ended December 31, 2004 the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we have audited the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sherrodsville, Carroll 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 January 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Willoughby & Company, Inc. - Certified Public Accountants

January 31, 2008





Mary Taylor, CPA  
Auditor of State

VILLAGE OF SHERRODSVILLE

CARROLL COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 8, 2008