

**VILLAGE OF SHERRODSVILLE  
CARROLL COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006**





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, 2006 through December 31, 2007. 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.

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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 23, 2009

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VILLAGE OF SHERRODSVILLE  
CARROLL COUNTY

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**VILLAGE OF SHERRODSVILLE  
CARROLL COUNTY**

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# WILLOUGHBY & COMPANY, INC.

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

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

To 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 Sherrodsville, Carroll County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, 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 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 2C, the accompanying 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sherrodsville, Carroll County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and Street Construction, Maintenance, and Repair Funds thereof for the years ended in conformity with the basis of accounting Note 2C describes.

Village of Sherrodsville  
Carroll County  
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2009, 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 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.

*Willoughby + Company, Inc.*

Willoughby & Company, Inc. - Certified Public Accountants

January 23, 2009



Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
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 years ended December 31, 2007 and 2006, 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 2007 and 2006 are as follows:

**Governmental Activities**

Net assets decreased \$787 in 2007.

Net assets increased \$6,685 in 2006.

The Village's general receipts are primarily property taxes, municipal income tax and intergovernmental revenues. These receipts represent a major portion of the total cash received during both years.

**Business Activities**

Net assets decreased \$11,576 in 2007.

Net assets decreased \$20,495 in 2006.

The Village of Sherrodsville has just one enterprise fund - E-Van. Previously, the Community Fire Department had been included as a business activity. This department has been reclassified as a governmental activity, starting January 1, 2006. The financial statements have been corrected and restated to reflect this change.

**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.

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
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Unaudited

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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.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007 and 2006, 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, parks and the community fire department. 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, includes the provision of the E-Van fund.

**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

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
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**Reporting the Village's Most Significant Funds (continued)**

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.

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 one enterprise fund. 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 2007 as compared to 2006 on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>						
Cash and						
Cash Equivalents	\$ 66,578	\$ 67,365	\$ 31,326	\$ 42,902	\$ 97,904	\$ 110,267
<b>Net Assets</b>						
Unrestricted	66,578	67,365	31,326	42,902	97,904	110,267
Total Net Assets	\$ 66,578	\$ 67,365	\$ 31,326	\$ 42,902	\$ 97,904	\$ 110,267

The Village did prepare government-wide information for 2005. However, since there is a correction of prior year activity, the comparative analysis for the three years has not been presented.

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
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(Table 2)  
**Changes in Net Assets**

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
	2007	2007	2007	2006	2006	2006
<b>Receipts:</b>						
<b>Program Receipts:</b>						
Charges for Services and Sales	\$ 5,000	\$ 24,498	\$ 29,498	\$ 5,000	\$ 41,448	\$ 46,448
Operating Grants and Contributions	54,825	2,615	57,440		3,240	3,240
Capital Grants and Contributions	1,302		1,302	72,900		72,900
<b>Total Program Receipts</b>	<b>61,127</b>	<b>27,113</b>	<b>88,240</b>	<b>77,900</b>	<b>44,688</b>	<b>122,588</b>
<b>General Receipts:</b>						
Property and Other Local Taxes	6,315		6,315	6,214		6,214
Municipal Income Tax	19,956		19,956	19,708		19,708
Grants and Entitlements Not Restricted to Specific Programs	36,385		36,385	37,241		37,241
Fines, Licenses & Permits	3,111		3,111	2,930		2,930
Interest	111		111	135		135
Miscellaneous	38,117		38,117	45,606		45,606
<b>Total General Receipts</b>	<b>103,995</b>	<b>0</b>	<b>103,995</b>	<b>111,834</b>	<b>0</b>	<b>111,834</b>
<b>Total Receipts</b>	<b>165,122</b>	<b>27,113</b>	<b>192,235</b>	<b>189,734</b>	<b>44,688</b>	<b>234,422</b>
<b>Disbursements:</b>						
Security of Persons and Property	117,676		117,676	31,302		31,302
Leisure Time Activities	3,736		3,736	3,781		3,781
Basic Utility Services	9,288		9,288	9,084		9,084
Transportation	6,888		6,888	13,423		13,423
General Government	24,121		24,121	41,657		41,657
Capital Outlay	1,302	4,619	5,921	72,900	7,225	80,125
Personal Services		1,171	1,171		2,195	2,195
Contractual Services		8,462	8,462		21,837	21,837
Supplies and Materials		9,011	9,011		14,426	14,426
<b>Debt Service:</b>						
Principal Retirement	9,644	15,338	24,982	10,167	18,454	28,621
Interest and Fiscal Charges	254	88	342	735	1,046	1,781
<b>Total Disbursements</b>	<b>172,909</b>	<b>38,689</b>	<b>211,598</b>	<b>183,049</b>	<b>65,183</b>	<b>248,232</b>
<b>Excess (Deficiency) Before Other Financing Sources (Uses)</b>	<b>(7,787)</b>	<b>(11,576)</b>	<b>(19,363)</b>	<b>6,685</b>	<b>(20,495)</b>	<b>(13,810)</b>
<b>Other Financing Sources (Uses):</b>						
Sale of Fixed Asset	7,000		7,000			0
<b>Increase (Decrease) in Net Assets</b>	<b>(787)</b>	<b>(11,576)</b>	<b>(12,363)</b>	<b>6,685</b>	<b>(20,495)</b>	<b>(13,810)</b>
Net Assets, January 1	67,365	42,902	110,267	60,680	63,397	124,077
<b>Net Assets, December 31</b>	<b>\$ 66,578</b>	<b>\$ 31,326</b>	<b>\$ 97,904</b>	<b>\$ 67,365</b>	<b>\$ 42,902</b>	<b>\$ 110,267</b>

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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

For both 2007 and 2006, property taxes and intergovernmental receipts were the primary support for the Village. Income tax amounts had a slight increased over prior years' collections. Miscellaneous receipts include the community fire department's activities and any donations received.

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 and fire 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, General Government and Capital Outlay, which account for 87 percent and 87 percent, respectively, of all governmental disbursements. A comparison between the total cost of services and the net cost is presented in Table 3.

The Village did prepare government-wide information for 2005. However, since there is a correction of prior year activity, the comparative analysis for the three years has not been presented.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Security of Persons and Property	\$ 117,676	\$ (57,851)	\$ 31,302	\$ (26,302)
Leisure Time Activities	3,736	(3,736)	3,781	(3,781)
Basic Utility Services	9,288	(9,288)	9,084	(9,084)
Transportation	6,888	(6,888)	13,423	(13,423)
General Government	24,121	(24,121)	41,657	(41,657)
Capital Outlay	1,302	0	72,900	0
Debt Service:				
Principal Retirement	9,644	(9,644)	10,167	(10,167)
Interest and Fiscal Charges	254	(254)	735	(735)
Total Expenses	\$ 172,909	\$ (111,782)	\$ 183,049	\$ (105,149)

Village of Sherrodsville, Carroll County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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### **Business-type Activities**

The E-Van fund covers the local area with emergency squad services. The fund has paid back all loan balance that was taken out in 2004 for the squad purchase.

### **The Village's Funds**

For 2007, total governmental funds had receipts of \$172,122 and disbursements of \$172,909. For 2006, total governmental funds had receipts of \$189,734 and disbursements of \$183,049. The greatest change within governmental funds occurred within the General Fund.

### **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 budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to the reclassification of the Community Fire Department activity. Although, the Village budgeted these amounts in the Enterprise Fund, the reclassification to the General Fund resulted in a difference between final budgeted receipts and actual receipts that was significant.

### **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, 2007, the Village had no outstanding debt. For further information regarding the Village's debt, refer to the notes to the financial statements.

### **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 2008. 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, Fiscal Officer, 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, 2007

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	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 66,578	\$ 31,326	\$ 97,904
	<u>\$ 66,578</u>	<u>\$ 31,326</u>	<u>\$ 97,904</u>
<b>Net Assets</b>			
Unrestricted	\$ 66,578	\$ 31,326	\$ 97,904
<i>Total Net Assets</i>	<u>\$ 66,578</u>	<u>\$ 31,326</u>	<u>\$ 97,904</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, 2007

	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	\$ 117,676	\$ 5,000	\$ 54,825		\$ (57,851)		\$ (57,851)
Leisure Time Activities	3,736				(3,736)		(3,736)
Basic Utility Services	9,288				(9,288)		(9,288)
Transportation	6,888				(6,888)		(6,888)
General Government	24,121				(24,121)		(24,121)
Capital Outlay	1,302			\$ 1,302	-		-
Debt Service:							
Principal Retirement	9,644				(9,644)		(9,644)
Interest and Fiscal Charges	254				(254)		(254)
<b>Total Governmental Activities</b>	<b>\$ 172,909</b>	<b>\$ 5,000</b>	<b>\$ 54,825</b>	<b>\$ 1,302</b>	<b>\$ (111,782)</b>	<b>\$ -</b>	<b>\$ (111,782)</b>
<b>Business Type Activities</b>							
E-Van Operating	\$ 23,263	\$ 24,498	\$ 2,615			\$ 3,850	\$ 3,850
Debt Service:							
Principal Retirement	15,338					(15,338)	(15,338)
Interest and Fiscal Charges	88					(88)	(88)
<b>Total Business Type Activities</b>	<b>\$ 38,689</b>	<b>\$ 24,498</b>	<b>\$ 2,615</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (11,576)</b>	<b>\$ (11,576)</b>
<b>Total Primary Government</b>	<b>\$ 211,598</b>	<b>\$ 29,498</b>	<b>\$ 57,440</b>	<b>\$ 1,302</b>	<b>\$ (111,782)</b>	<b>\$ (11,576)</b>	<b>\$ (123,358)</b>

	Net (Disbursements) Receipts and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts</b>			
Property Taxes	\$ 6,315		\$ 6,315
Municipal Income Tax	19,956		19,956
Grants and Entitlements not Restricted to Specific Programs	36,385		36,385
Fines, Licenses & Permits	3,111		3,111
Earnings on Investments	111		111
Miscellaneous	38,117		38,117
<b>Total General Receipts</b>	<b>103,995</b>	<b>-</b>	<b>103,995</b>
Sale of Fixed Asset	7,000		7,000
<b>Total Receipts</b>	<b>110,995</b>	<b>-</b>	<b>110,995</b>
Change in Net Assets	(787)	(11,576)	(12,363)
<b>Net Assets Beginning of Year</b>	<b>67,365</b>	<b>42,902</b>	<b>110,267</b>
<b>Net Assets End of Year</b>	<b>\$ 66,578</b>	<b>\$ 31,326</b>	<b>\$ 97,904</b>

See accompanying notes to the basic financial statements.



**Village of Sherrodsville  
Carroll County**

**Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2007**

	General	Street Construction Maint. Rep.	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 36,996	\$ 22,619	\$ 6,963	\$ 66,578
	<u>\$ 36,996</u>	<u>\$ 22,619</u>	<u>\$ 6,963</u>	<u>\$ 66,578</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 36,996			\$ 36,996
Special Revenue Funds		\$ 22,619	\$ 6,963	\$ 29,582
<i>Total Fund Balances</i>	<u>\$ 36,996</u>	<u>\$ 22,619</u>	<u>\$ 6,963</u>	<u>\$ 66,578</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, 2007**

	General	Street Construction Maint. Rep.	Other Governmental Fund	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 6,315			\$ 6,315
Municipal Income Tax	19,956			19,956
Intergovernmental	77,848	\$ 12,163	\$ 1,199	91,210
Charges for Services	5,000			5,000
Fines, Licenses & Permits	486	2,624		3,110
Earnings on Investments	95	11	6	112
Miscellaneous	39,419			39,419
<b>Total Receipts</b>	<b>149,119</b>	<b>14,798</b>	<b>1,205</b>	<b>165,122</b>
<b>Disbursements</b>				
<b>Current:</b>				
Security of Persons and Property	117,676			117,676
Leisure Time Activities	3,736			3,736
Basic Utility Services	7,992	1,296		9,288
Transportation		6,773	115	6,888
General Government	24,121			24,121
Capital Outlay	1,302			1,302
<b>Debt Service:</b>				
Principal Payment	9,644			9,644
Interest and Fiscal Charges	254			254
<b>Total Disbursements</b>	<b>164,725</b>	<b>8,069</b>	<b>115</b>	<b>172,909</b>
<b>Excess Receipts Over (Under) Disbursements</b>	<b>(15,606)</b>	<b>6,729</b>	<b>1,090</b>	<b>(7,787)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	7,000			7,000
<b>Total Other Financing Sources (Uses)</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>7,000</b>
<b>Net Change in Fund Balances</b>	<b>(8,606)</b>	<b>6,729</b>	<b>1,090</b>	<b>(787)</b>
<b>Fund Cash Balances, Beginning of Year</b>	<b>45,602</b>	<b>15,890</b>	<b>5,873</b>	<b>67,365</b>
<b>Fund Cash Balances, End of Year</b>	<b>\$ 36,996</b>	<b>\$ 22,619</b>	<b>\$ 6,963</b>	<b>\$ 66,578</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 8,000	\$ 8,000	\$ 6,315	\$ (1,685)
Municipal Income Tax	19,000	19,000	19,956	956
Intergovernmental	24,850	24,850	77,848	52,998
Charges for Services	-	-	5,000	5,000
Fines, Licenses & Permits	-	-	486	486
Earnings on Investments	120	120	95	(25)
Miscellaneous	3,000	3,000	39,419	36,419
<i>Total Receipts</i>	<u>54,970</u>	<u>54,970</u>	<u>149,119</u>	<u>94,149</u>
<b>Disbursements</b>				
Current:				
Security of Person and Property	18,000	18,000	117,676	(99,676)
Leisure Time Activities	2,750	2,750	3,736	(986)
Basic Utility Services	8,350	8,350	7,992	358
General Government	34,262	34,262	24,121	10,141
Capital Outlay	-	-	1,302	(1,302)
Debt Service:				
Principal Payment	-	-	9,644	(9,644)
Interest and Fiscal Charges	1,717	1,717	254	1,463
<i>Total Disbursements</i>	<u>65,079</u>	<u>65,079</u>	<u>164,725</u>	<u>(99,646)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,109)</u>	<u>(10,109)</u>	<u>(15,606)</u>	<u>(5,497)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(5,000)	(5,000)	-	5,000
Sale of Fixed Asset	-	-	7,000	7,000
Other Financing Uses	(5,000)	(5,000)	-	5,000
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>(10,000)</u>	<u>7,000</u>	<u>17,000</u>
<i>Net Change in Fund Balance</i>	<u>(20,109)</u>	<u>(20,109)</u>	<u>(8,606)</u>	<u>11,503</u>
<i>Fund Balance Beginning of Year</i>	<u>45,602</u>	<u>45,602</u>	<u>45,602</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 25,493</u>	<u>\$ 25,493</u>	<u>\$ 36,996</u>	<u>\$ 11,503</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 11,000	\$ 11,000	\$ 12,163	\$ 1,163
Fines, Licenses & Permits	3,000	3,000	2,624	(376)
Earnings on Investments	17	17	11	(6)
<i>Total Receipts</i>	<u>14,017</u>	<u>14,017</u>	<u>14,798</u>	<u>781</u>
<b>Disbursements</b>				
Current:				
Basic Utility Services	1,300	1,300	1,296	4
Transportation	11,450	11,450	6,773	4,677
<i>Total Disbursements</i>	<u>12,750</u>	<u>12,750</u>	<u>8,069</u>	<u>4,681</u>
<i>Net Change in Fund Balance</i>	1,267	1,267	6,729	5,462
<i>Fund Balance, Beginning of Year</i>	<u>15,890</u>	<u>15,890</u>	<u>15,890</u>	<u>-</u>
<i>Fund Balance, End of Year</i>	<u>\$ 17,157</u>	<u>\$ 17,157</u>	<u>\$ 22,619</u>	<u>\$ 5,462</u>

See accompanying notes to the basic financial statements.

Village of Sherrodsville  
Carroll County

Statement of Net Assets - Cash Basis  
Proprietary Fund  
December 31, 2007

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	E-Van Operating
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 31,326</u>
	<u>\$ 31,326</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 31,326</u>
<i>Total Net Assets</i>	<u>\$ 31,326</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 Fund  
For the Year Ended December 31, 2007

	<u>E-Van Operating</u>
<b>Operating Receipts</b>	
Charges for Services	\$ 24,498
Total Receipts	<u>24,498</u>
<b>Operating Disbursements</b>	
Personal Services	1,171
Contractual Services	8,462
Supplies and Materials	9,011
Capital Outlay	<u>4,619</u>
Total Disbursements	<u>23,263</u>
Operating Income (Loss)	<u>1,235</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>	
Miscellaneous Receipts	2,615
Principal Payments	(15,338)
Interest and Fiscal Charges	<u>(88)</u>
Total Non-Operating Receipts (Disbursements)	<u>(12,811)</u>
Net Change in Net Assets	(11,576)
Fund Cash Balances, Beginning of Year	<u>42,902</u>
Fund Cash Balances, End of Year	<u><u>\$ 31,326</u></u>

See accompanying notes to the basic financial statements.

Village of Sherrodsville  
Carroll County

Statement of Net Assets - Cash Basis  
December 31, 2006

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	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 67,365	\$ 42,902	\$ 110,267
	<u>\$ 67,365</u>	<u>\$ 42,902</u>	<u>\$ 110,267</u>
<b>Net Assets</b>			
Unrestricted (Restated, See Note 12)	\$ 67,365	\$ 42,902	\$ 110,267
<i>Total Net Assets</i>	<u>\$ 67,365</u>	<u>\$ 42,902</u>	<u>\$ 110,267</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, 2006

	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	\$ 31,302	\$ 5,000			\$ (26,302)		\$ (26,302)
Leisure Time Activities	3,781				(3,781)		(3,781)
Basic Utility Services	9,084				(9,084)		(9,084)
Transportation	13,423				(13,423)		(13,423)
General Government	41,657				(41,657)		(41,657)
Capital Outlay	72,900			\$ 72,900	-		-
Debt Service:							
Principal Retirement	10,167				(10,167)		(10,167)
Interest and Fiscal Charges	735				(735)		(735)
<b>Total Governmental Activities</b>	<b>\$ 183,049</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 72,900</b>	<b>\$ (105,149)</b>	<b>\$ -</b>	<b>\$ (105,149)</b>
<b>Business Type Activities</b>							
E-Van Operating	\$ 45,683	\$ 41,448	\$ 3,240			\$ (995)	\$ (995)
Debt Service:							
Principal Retirement	18,454					(18,454)	(18,454)
Interest and Fiscal Charges	1,046					(1,046)	(1,046)
<b>Total Business Type Activities</b>	<b>\$ 65,183</b>	<b>\$ 41,448</b>	<b>\$ 3,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (20,495)</b>	<b>\$ (20,495)</b>
<b>Total Primary Government</b>	<b>\$ 248,232</b>	<b>\$ 46,448</b>	<b>\$ 3,240</b>	<b>\$ 72,900</b>	<b>\$ (105,149)</b>	<b>\$ (20,495)</b>	<b>\$ (125,644)</b>

	Net (Disbursements) Receipts and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts</b>			
Property Taxes	\$ 6,214		\$ 6,214
Municipal Income Tax	19,708		19,708
Grants and Entitlements not Restricted to Specific Programs	37,241		37,241
Fines, Licenses & Permits	2,930		2,930
Earnings on Investments	135		135
Miscellaneous	45,606		45,606
<b>Total General Receipts</b>	<b>111,834</b>	<b>-</b>	<b>111,834</b>
Sale of Fixed Asset	-		-
<b>Total Receipts</b>	<b>111,834</b>	<b>-</b>	<b>111,834</b>
Change in Net Assets	6,685	(20,495)	(13,810)
<i>Net Assets Beginning of Year (Restated, See Note 12)</i>	60,680	63,397	124,077
<b>Net Assets End of Year</b>	<b>\$ 67,365</b>	<b>\$ 42,902</b>	<b>\$ 110,267</b>

See accompanying notes to the basic financial statements.



**Village of Sherrodsville  
Carroll County**

**Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006**

	<u>General</u>	<u>Street Construction Maint. Rep.</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 45,602	\$ 15,890	\$ 5,873	\$ 67,365
	<u>\$ 45,602</u>	<u>\$ 15,890</u>	<u>\$ 5,873</u>	<u>\$ 67,365</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund (Restated, See Note 12)	\$ 45,602			\$ 45,602
Special Revenue Funds		\$ 15,890	\$ 5,873	\$ 21,763
	<u>\$ 45,602</u>	<u>\$ 15,890</u>	<u>\$ 5,873</u>	<u>\$ 67,365</u>
<i>Total Fund Balances</i>	<u>\$ 45,602</u>	<u>\$ 15,890</u>	<u>\$ 5,873</u>	<u>\$ 67,365</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, 2006**

	General	Street Construction Maint. Rep.	Other Governmental Fund	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 6,214			\$ 6,214
Municipal Income Tax	19,708			19,708
Intergovernmental	96,522	\$ 12,415	\$ 1,204	110,141
Charges for Services	5,000			5,000
Fines, Licenses & Permits	490	2,440		2,930
Earnings on Investments	115	13	7	135
Miscellaneous	45,606			45,606
<b>Total Receipts</b>	<b>173,655</b>	<b>14,868</b>	<b>1,211</b>	<b>189,734</b>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	31,302			31,302
Leisure Time Activities	3,781			3,781
Basic Utility Services	7,860	1,224		9,084
Transportation		11,971	1,452	13,423
General Government	41,657			41,657
Capital Outlay	72,900			72,900
Debt Service:				
Principal Payment	10,167			10,167
Interest and Fiscal Charges	735			735
<b>Total Disbursements</b>	<b>168,402</b>	<b>13,195</b>	<b>1,452</b>	<b>183,049</b>
Excess Receipts Over (Under) Disbursements	5,253	1,673	(241)	6,685
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	5,253	1,673	(241)	6,685
Fund Cash Balances, Beginning of Year (Restated, See Note 12)	40,349	14,217	6,114	60,680
<b>Fund Cash Balances, End of Year</b>	<b>\$ 45,602</b>	<b>\$ 15,890</b>	<b>\$ 5,873</b>	<b>\$ 67,365</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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 8,000	\$ 8,000	\$ 6,214	\$ (1,786)
Municipal Income Tax	17,000	17,000	19,708	2,708
Intergovernmental	30,100	23,638	96,522	72,884
Charges for Services	-	-	5,000	5,000
Fines, Licenses & Permits	-	-	490	490
Earnings on Investments	140	140	115	(25)
Miscellaneous	3,000	3,000	45,606	42,606
<i>Total Receipts</i>	<u>58,240</u>	<u>51,778</u>	<u>173,655</u>	<u>121,877</u>
<b>Disbursements</b>				
Current:				
Security of Person and Property	7,800	7,800	31,302	(23,502)
Leisure Time Activities	3,825	3,825	3,781	44
Basic Utility Services	7,860	7,860	7,860	-
General Government	22,312	27,312	41,657	(14,345)
Capital Outlay	-	-	72,900	(72,900)
Debt Service:				
Principal Payment	-	-	10,167	(10,167)
Interest and Fiscal Charges	2,835	2,835	735	2,100
<i>Total Disbursements</i>	<u>44,632</u>	<u>49,632</u>	<u>168,402</u>	<u>(118,770)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,608</u>	<u>2,146</u>	<u>5,253</u>	<u>3,107</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	20,000	-	-	-
Transfers Out	-	(6,500)	-	6,500
Other Financing Uses	(31,200)	(26,200)	-	26,200
<i>Total Other Financing Sources (Uses)</i>	<u>(11,200)</u>	<u>(32,700)</u>	<u>-</u>	<u>32,700</u>
<i>Net Change in Fund Balance</i>	<u>2,408</u>	<u>(30,554)</u>	<u>5,253</u>	<u>35,807</u>
<i>Fund Balance Beginning of of Year (Restated, See Note 12)</i>	<u>40,349</u>	<u>40,349</u>	<u>40,349</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 42,757</u>	<u>\$ 9,795</u>	<u>\$ 45,602</u>	<u>\$ 35,807</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 12,415	\$ 2,415
Fines, Licenses & Permits	2,500	2,500	2,440	(60)
Earnings on Investments	15	15	13	(2)
<i>Total Receipts</i>	<u>12,515</u>	<u>12,515</u>	<u>14,868</u>	<u>2,353</u>
<b>Disbursements</b>				
Current:				
Basic Utility Services	1,224	1,224	1,224	-
Transportation	11,000	12,500	11,971	529
<i>Total Disbursements</i>	<u>12,224</u>	<u>13,724</u>	<u>13,195</u>	<u>529</u>
<i>Net Change in Fund Balance</i>	291	(1,209)	1,673	2,882
<i>Fund Balance, Beginning of Year</i>	<u>14,217</u>	<u>14,217</u>	<u>14,217</u>	<u>-</u>
<i>Fund Balance, End of Year</i>	<u>\$ 14,508</u>	<u>\$ 13,008</u>	<u>\$ 15,890</u>	<u>\$ 2,882</u>

See accompanying notes to the basic financial statements.

Village of Sherrodsville  
Carroll County

Statement of Net Assets - Cash Basis  
Proprietary Fund  
December 31, 2006

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	E-Van Operating
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 42,902
	<u>\$ 42,902</u>
<b>Net Assets</b>	
Unrestricted	\$ 42,902
<i>Total Net Assets</i>	<u>\$ 42,902</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 Fund  
For the Year Ended December 31, 2006

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	E-Van Operating
<b>Operating Receipts</b>	
Charges for Services	\$ 41,448
Total Receipts	<u>41,448</u>
<b>Operating Disbursements</b>	
Personal Services	2,195
Contractual Services	21,837
Supplies and Materials	14,426
Capital Outlay	7,225
Total Disbursements	<u>45,683</u>
Operating Income (Loss)	<u>(4,235)</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>	
Miscellaneous Receipts	3,240
Principal Payments	(18,454)
Interest and Fiscal Charges	(1,046)
Total Non-Operating Receipts (Disbursements)	<u>(16,260)</u>
Net Change in Net Assets	(20,495)
Fund Cash Balances, Beginning of Year	<u>63,397</u>
Fund Cash Balances, End of Year	<u>\$ 42,902</u>

See accompanying notes to the basic financial statements.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 1 – Reporting Entity**

The Village of Sherrodsville, County County, Ohio (the Village), 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, fire protection and ambulatory services. The Village contracts with the Carroll County Sheriff's department for police protection.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village does not have any component units.

**C. Public Entity Risk Pools**

The Village participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. This organization is:

Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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**

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.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

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.

**A. Basis of Presentation**

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 which 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.

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.

**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.



**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

**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. 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 Street Construction Maintenance and Repair fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets. The other miscellaneous governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

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

**Enterprise Fund** – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

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

**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 private purpose trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for donations received from various entities and are then disbursed to the appropriate party. There were no amounts received or paid during 2007. There was \$1,400 received and disbursed during the year.

**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.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

**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.

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 are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2007, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost and have terms of 12 months.

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 2007 and 2006 was \$95 and \$115, respectively.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

**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 2007 or 2006.

**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 8 and 9, the employer contributions include portions for pension benefits.

**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.

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.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

**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. There were no encumbrances outstanding for either year.

**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 – 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.

**Note 4 – Deposits and Investments**

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such 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 Village has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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, 2007 and 2006

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**Note 4 – Deposits and Investments (continued)**

Interim monies may 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).

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.

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. The Village only has demand deposits and certificates of deposit. At December 31, 2007, \$0 of the Village's bank balance of \$99,458 was exposed to custodial credit risk. At December 31, 2006, \$2,714 of the Village's bank balance of \$111,136 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, 2007 and 2006

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**Note 4 – 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.

**Note 5 – Income Taxes**

The Village levies a municipal income tax of 1.0 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 6 – 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 2007 represent the collection of 2006 taxes, respectively. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005 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 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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, 2007 and 2006

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**Note 6 – Property Taxes (continued)**

The full tax rate for all Village operations for the year ended December 31, 2007, was \$3.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 and 2006 property tax receipts were based are as follows:

	2007	2006
Real Property		
Residential	\$ 1,989,740	\$ 1,822,080
Agricultural	14,200	17,400
Commercial/Industrial/Mineral	354,770	286,370
Public Utility Property		
Real	740	740
Personal	123,020	123,020
Tangible Personal Property	82,220	101,660
Total Valuation	\$ 2,564,690	\$ 2,351,270

**Note 7 – 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**

For an occurrence prior to January 1, 2006 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.

For an occurrence on or after January 1, 2006 the Pool retains casualty risks up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year.

Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 7 – Risk Management (continued)**

**Property Coverage**

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 for 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do 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.

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all 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.

**Financial Position**

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>2007</u>	<u>2006</u>
Assets	\$ 37,560,071	\$ 36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$ 20,219,246</u>	<u>\$ 19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.



**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 8 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

Plan Description - 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and safety divisions exist only within the traditional 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.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007 and 2006, members in state and local classifications contributed 9.5 and 9 percent, respectively, of covered payroll.

The Village's contribution rates for 2007 and 2006 were 13.85 percent and 13.7 percent, respectively, of covered payroll. For the period of January 1 through June 30, 2007, a portion of the Village's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Village of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$2,384, \$2,542, and \$2,708 respectively. The full amount has been contributed for 2007, 2006 and 2005. Contributions to the member-directed plan for 2007, 2006 and 2005 were \$1,414, \$1,534, and \$1,805, respectively, made by the Village and \$970, \$1,008, and \$903, respectively made by the plan members

**Note 9 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description – OPERS maintains a cost-sharing multiple-employer defined postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age, and service retirees under the traditional and combined plans must have ten or more years for qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code,

Disclosures for the healthcare plan is presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007 and 2006, local government employers contributed 13.85 and 13.7 percent, respectively, of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare for 2007 was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007. The 2006 amount of the employer contributions which was allocated to fund postemployment healthcare was 4 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006 and 2005 were \$562, \$448, and \$441, respectively. The full amount has been contributed for 2007, 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

**Village of Sherrodsville  
Carroll County**

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

**Note 10 – Debt**

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	<u>Interest</u>	<u>Balance December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>
<u>Governmental Activities</u>					
General Obligation Note - Ventrac Lawn Mower Issued in 2005-Originally \$16,912	4.35%	\$ 4,415	\$ 0	\$ 4,415	\$ 0
<u>Proprietary Activities</u>					
General Obligation Note - 1983 Ford Pierce Pumper Issued in 2003-Originally \$15,110	5.50%	\$ 6,939	\$ 0	\$ 6,939	\$ 0
General Obligation Note - 2003 Ford Squad Issued 2004-Originally \$88,122	4.00%	\$ 33,793	\$ 0	\$ 33,793	\$ 0
General Obligation Note – 2005 International Pierce Fire Truck Issued 2005-Originally \$9,035	4.75%	\$ 8,457	\$ 0	\$ 8,457	\$ 0
Totals		<u>\$ 53,604</u>	<u>\$ 0</u>	<u>\$ 53,604</u>	<u>\$ 0</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 – 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.

**Note 12 – Restatement of Fund Balances**

For the year ended December 31, 2005, an adjustment resulted in a fund balance restatement, as follows:

<u>Fund</u>	<u>Fund Balance at December 31, 2005</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2006</u>
General	\$31,717	\$8,632	\$40,349

The changes occurred due to the Community Volunteer Fire Department being incorrectly treated as an Enterprise business-type activity instead of being included in the General Fund. Also, the fire department had separate funds that were not included on the Village's books.



# WILLOUGHBY & COMPANY, INC.

*Certified Public Accountants*

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## 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 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 the Village of Sherrodsville, Carroll County, (the Village) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 23, 2009, wherein we noted that the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over reporting: Finding Number 2007-001.

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

Village of Sherrodsville  
Carroll County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*

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.

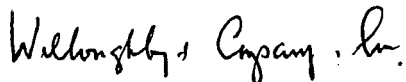
We noted certain matters that we reported to the Village's management in a separate letter dated January 23, 2009.

#### **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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2007-002 and 2007-003.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated January 23, 2009.

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



Willoughby & Company, Inc. - Certified Public Accountants

January 23, 2009

VILLAGE OF SHERRODSVILLE  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

**Significant Deficiency**

**Classification of Community Fire Department Activities**

During the course of the audit, it was discovered that the activities of the Community Fire Department were being treated as an Enterprise Fund. Although they had contracts with various Townships, they did not charge fees or levy taxes for the residents of the Village of Sherrodsville. With research of the Ohio Revised Code, we believe that it should be included as part of the General Fund. Furthermore, we found that there was a checking account that was not accounted for on the Village's books.

Council should include all activities of the Community Fire Department into the General Fund for reporting purposes, until at a time where the Department would meet the requirements to be treated as a business-type, Enterprise Fund activity.

**Official's Response:** In conjunction with the Village Solicitor and Council, they have agreed to include the Department's activities into the General Fund. All activities of the department are now being reported to the Fiscal Officer of the Village for proper accounting on the Village's books. The Village has agreed to correct all necessary balances.

FINDING NUMBER 2007-002

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41 (D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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 5704.41(D)(3), respectively of the Ohio Revised Code.

- 1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
  
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation 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 in not to extent beyond the current year. More than one super blanket may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the amounts against applicable appropriation accounts for amounts paid in the account held outside the Village’s books, which maintained additional activity for the Community Fire Department. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is the 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, the Fiscal Officer should certify that the fund are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official’s Response:** The Council and the Fiscal Officer agree to this issue and have corrected the way these items are being accounted for.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

**Budgetary Activity**

Due to the reclassification of the Community Fire Department activity for 2007 and 2006, the General Fund had several line items of actual receipts that were higher than budgeted receipts. Accordingly, the General Fund also had several line items of actual disbursements that were higher than budgeted disbursements. The Ohio Revised Code requires that all budgeted receipts and disbursements monitored throughout the year and compared to actual amounts. The Fiscal Officer should also refer to the Handbook for Village Officials for guidance whenever necessary.

**Official's Response:** The Village will establish procedures to monitor budgetary compliance more closely throughout the year.





**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  
APRIL 7, 2009**