



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Sherwood
Defiance County
U.S. Highway 127
P.O. Box 4545
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To the Village Council:

We have audited the accompanying financial statements of the Village of Sherwood (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

We were unable to obtain any records that documented emergency medical services (EMS) charges for the years ended December 31, 2001 and 2000. We were unable to perform procedures to satisfy ourselves that all revenues were received for services provided. EMS revenues represent 10% and 5% of total revenues in the Special Revenue Fund Type for the years ended December 31, 2001 and 2000, respectively.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding EMS revenues, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council, the Board of Public Affairs and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 13, 2002

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$20,456	\$29,909		\$50,365
Intergovernmental Receipts	94,990	27,105	\$196,732	318,827
Charges for Services	8,450	16,585		25,035
Fines, Licenses, and Permits	1,473			1,473
Earnings on Investments	12,237	1,809		14,046
Miscellaneous	15,470	7,452		22,922
	<u>153,076</u>	<u>82,860</u>	<u>196,732</u>	<u>432,668</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	51,741	29,209		80,950
Public Health Services	1,500			1,500
Leisure Time Activities	2,093	5,676		7,769
Community Environment	123			123
Transportation		45,788		45,788
General Government	83,189			83,189
Debt Service:				
Principal Payments	3,870			3,870
Interest Payments	744			744
Capital Outlay	15,269	22,997	417,700	455,966
	<u>158,529</u>	<u>103,670</u>	<u>417,700</u>	<u>679,899</u>
Total Cash Disbursements				
Total Cash Disbursements Over Cash Receipts	<u>(5,453)</u>	<u>(20,810)</u>	<u>(220,968)</u>	<u>(247,231)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Loan	25,000		220,968	245,968
Transfers-In		5,450		5,450
Transfers-Out	(8,577)			(8,577)
Other Uses	(739)			(739)
	<u>15,684</u>	<u>5,450</u>	<u>220,968</u>	<u>242,102</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,231	(15,360)		(5,129)
Fund Cash Balances, January 1	<u>102,995</u>	<u>103,226</u>		<u>206,221</u>
Fund Cash Balances, December 31	<u>\$113,226</u>	<u>\$87,866</u>		<u>\$201,092</u>
Reserves for Encumbrances, December 31	<u> </u>	<u> </u>		<u> </u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$199,825		\$199,825
Miscellaneous	6,085		6,085
Total Operating Cash Receipts	<u>205,910</u>		<u>205,910</u>
Operating Cash Disbursements:			
Personal Services	46,059		46,059
Fringe Benefits	11,294		11,294
Contractual Services	37,271		37,271
Supplies and Materials	29,162		29,162
Capital Outlay	69,508		69,508
Miscellaneous	3,591	\$1,188	4,779
Total Operating Cash Disbursements	<u>196,885</u>	<u>1,188</u>	<u>198,073</u>
Operating Income/(Loss)	<u>9,025</u>	<u>(1,188)</u>	<u>7,837</u>
Non-Operating Cash Receipts:			
Fines, Licenses, and Permits		1,188	1,188
Other Non-Operating Receipts	1,198		1,198
Total Non-Operating Cash Receipts	<u>1,198</u>	<u>1,188</u>	<u>2,386</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	14,165		14,165
Debt Service - Interest	17,451		17,451
Total Non-Operating Cash Disbursements	<u>31,616</u>		<u>31,616</u>
Excess of Cash Disbursements Over Cash Receipts Before Interfund Transfers and Advances	(21,393)		(21,393)
Transfers-In	3,127		3,127
Net Cash Disbursements Over Cash Receipts	(18,266)		(18,266)
Fund Cash Balances, January 1	235,970	1	235,971
Fund Cash Balances, December 31	<u>\$217,704</u>	<u>\$1</u>	<u>\$217,705</u>
Reserve for Encumbrances, December 31			

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$15,587	\$44,645		\$60,232
Intergovernmental Receipts	138,220	28,092	\$7,750	174,062
Charges for Services	7,950	14,987		22,937
Fines, Licenses, and Permits	2,540			2,540
Earnings on Investments	24,816	4,670		29,486
Miscellaneous	29,861	682		30,543
	<u>218,974</u>	<u>93,076</u>	<u>7,750</u>	<u>319,800</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	35,376	25,575		60,951
Public Health Services	1,500			1,500
Leisure Time Activities	3,530	7,529		11,059
Community Environment	123			123
Transportation		56,732		56,732
General Government	77,263			77,263
Capital Outlay	107,112	21,287	28,030	156,429
	<u>224,904</u>	<u>111,123</u>	<u>28,030</u>	<u>364,057</u>
Total Cash Disbursements				
Total Cash Disbursements Over Cash Receipts	<u>(5,930)</u>	<u>(18,047)</u>	<u>(20,280)</u>	<u>(44,257)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		16,410		16,410
Advances-In	15,000			15,000
Transfers-Out	(23,610)			(23,610)
Advances-Out		(15,000)		(15,000)
Other Uses	(1,047)	(200)		(1,247)
	<u>(9,657)</u>	<u>1,210</u>		<u>(8,447)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(15,587)	(16,837)	(20,280)	(52,704)
Fund Cash Balances, January 1	<u>118,582</u>	<u>120,063</u>	<u>20,280</u>	<u>258,925</u>
Fund Cash Balances, December 31	<u>\$102,995</u>	<u>\$103,226</u>		<u>\$206,221</u>
Reserves for Encumbrances, December 31	<u>\$98</u>	<u>\$304</u>		<u>\$402</u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$218,236		\$218,236
Miscellaneous	34,019		34,019
Total Operating Cash Receipts	<u>252,255</u>		<u>252,255</u>
Operating Cash Disbursements:			
Personal Services	44,620		44,620
Fringe Benefits	13,044		13,044
Contractual Services	29,451		29,451
Supplies and Materials	54,929		54,929
Capital Outlay	42,763		42,763
Miscellaneous	2,167	\$2,407	4,574
Total Operating Cash Disbursements	<u>186,974</u>	<u>2,407</u>	<u>189,381</u>
Operating Income/(Loss)	<u>65,281</u>	<u>(2,407)</u>	<u>62,874</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	19,480		19,480
Fines, Licenses, and Permits		2,408	2,408
Total Non-Operating Cash Receipts	<u>19,480</u>	<u>2,408</u>	<u>21,888</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	16,762		16,762
Debt Service - Interest	22,120		22,120
Total Non-Operating Cash Disbursements	<u>38,882</u>		<u>38,882</u>
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers and Advances	45,879	1	45,880
Transfers-In	7,200		7,200
Net Cash Receipts Over Cash Disbursements	53,079	1	53,080
Fund Cash Balances, January 1	<u>182,891</u>		<u>182,891</u>
Fund Cash Balances, December 31	<u>\$235,970</u>	<u>\$1</u>	<u>\$235,971</u>
Reserve for Encumbrances, December 31	<u>\$653</u>		<u>\$653</u>

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sherwood, Defiance County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), police services, fire services, and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

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

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Fund - This fund receives loan and grant monies from the Ohio Public Works Commission (OPWC) and the Ohio Water Development Authority (OWDA) for the construction of various capital projects.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

5. Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

2. Estimated Resources

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. In 2000, encumbrances outstanding at year end were carried over, and did not need reappropriated. In 2001, encumbrances outstanding at year end were canceled, and reappropriated in the subsequent year

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$147,986	\$182,156
STAR Ohio	270,811	260,036
Total deposits and investments	\$418,797	\$442,192

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,332	\$178,076	\$31,744
Special Revenue	104,345	88,310	(16,035)
Capital Projects	252,830	417,700	164,870
Enterprise	287,866	210,235	(77,631)
Total	\$791,373	\$894,321	\$102,948

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,420	\$167,845	\$12,575
Special Revenue	177,784	103,670	74,114
Capital Projects	252,830	417,700	(164,870)
Enterprise	387,441	228,501	158,940
Total	<u>\$998,475</u>	<u>\$917,716</u>	<u>\$80,759</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,525	\$218,974	\$85,449
Special Revenue	95,873	109,486	13,613
Capital Projects	30,001	7,750	(22,251)
Enterprise	220,935	278,935	58,000
Total	<u>\$480,334</u>	<u>\$615,145</u>	<u>\$134,811</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,000	\$249,659	(\$9,659)
Special Revenue	151,344	111,627	39,717
Capital Projects	20,000	28,030	(8,030)
Enterprise	290,690	226,509	64,181
Total	<u>\$702,034</u>	<u>\$615,825</u>	<u>\$86,209</u>

4. PROPERTY TAX

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

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2001, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$131,521	Various
Mortgage Revenue Bonds	267,000	5.00%
Sherwood State Bank Loan	21,129	6.00%
Ohio Public Works Commission Loan	158,703	0.00%
Total	\$578,353	

The Ohio Water Development Authority (OWDA) loans were issued for the installation of water and sewer lines. The loan for the water line project was issued January 1, 1984, in the amount of \$123,241 to be repaid in semiannual installments of \$6,716, including interest, over 25 years. The loan for the sewer line project was approved in 2001 for a total of \$96,196, however, only \$62,664 has been drawn at December 31, 2001.

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

The Sherwood State Bank Loan relates to the renovation of the Sherwood library (a Village owned building). The loan was issued February 1, 2001, in the amount of \$25,000 to be repaid in semiannual installments of \$4,614 over 3 years.

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

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

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds	Library Renovation Loan	OPWC Loan
2002	\$13,431	\$24,350	\$9,229	\$3,968
2003	13,431	23,800	9,229	7,935
2004	13,431	25,250	4,614	7,935
2005	13,431	24,600		7,935
2006	13,431	23,950		7,935
Subsequent	33,578	272,700		122,995
Total	\$100,733	\$394,650	\$23,072	\$158,703

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

A sewer line construction project financed by an OWDA loan is ongoing. Upon completion of the project, future annual debt service requirements will be determined. The above table does not account for this ongoing project.

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is cost sharing, multiple-employer plan. This plan provides retirement benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member

8. COMPLIANCE

Legally adopted appropriations varied from the appropriations booked by the clerk for the Street Construction, Maintenance, and Repair Fund and the Water Deposits Fund in 2001 and the Issue II Fund in 2000, contrary to Ohio Revised Code § 5705.40.

Expenditures exceeded appropriations for the Issue II Fund in 2001 and in the General Fund and Issue II Fund in 2000, contrary to Ohio Revised Code § 5705.41(B).

The Village did not consistently certify expenditures at the time the obligation was incurred, contrary to Ohio Revised Code § 5705.41(D).

The Village disposed of 2001 and 2000 emergency medical services (EMS) records, contrary to Ohio Revised Code § 149.351.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Sherwood
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Sherwood, Ohio 43556-0545

To the Village Council:

We have audited the financial statements of the Village of Sherwood (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 13, 2002, which was qualified for our inability to obtain sufficient evidential matter supporting emergency medical services (EMS) revenues. Except as discussed in the preceding sentence, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30120-001, 2001-30120-002, 2001-30120-003, and 2001-30120-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 13, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 13, 2002.

Village of Sherwood
Defiance County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of management, Village Council and the Board of Public Affairs, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 13, 2002

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30120-001

Noncompliance Citation

Ohio Revised Code §149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law. Officials of the Village could not provide any emergency medical service (EMS) records for the years 2001 and 2000. EMS revenues represent 10% and 5% of total revenues in the Special Revenue Fund Type for the years ended December 31, 2001 and 2000, respectively. As a result, we were unable to determine whether the Village's EMS revenues were fairly stated for the years ended December 31, 2001 and 2000. This resulted in incomplete documentation of the Village's financial activity. It may also allow errors or irregularities to have occur without detection by management. In order to strengthen control and accountability over EMS revenue, we recommend that Village officials retain all EMS records until disposal is approved by the Village records commission.

FINDING NUMBER 2001-30120-002

Noncompliance Citation

Ohio Revised Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. Changes were made to the Village's legally adopted appropriations with no documented Village Council approval in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance</u>
2000	Issue II Fund	\$20,000	\$63,897	\$43,897
2001	Street Construction, Maintenance, and Repair Fund	40,000	41,683	1,683
2001	Water Deposits Fund	8,096	3,500	(4,596)

This condition may result in a deficit spending situation. We recommend that the Clerk only make amendments to the appropriation ledger based on formally documented approval of Village Council.

FINDING NUMBER 2001-30120-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Actual expenditures exceeded appropriations in the following funds by the following amounts:

<u>Year</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2000	General Fund	\$240,000	\$249,659	(\$9,659)
2000	Issue II Fund	20,000	28,030	(8,030)
2001	Issue II Fund	252,830	417,700	(164,870)

FINDING NUMBER 2001-30120-003
(Continued)

We recommend that expenditures and appropriations be frequently reviewed by Village Council and the necessary adjustments be made to prevent expenditures from exceeding appropriations. These adjustments should be formally approved by Council in the minutes and the Clerk should only make amendments to the Uniform Accounting Network (UAN) appropriations ledger based on these formally documented approvals.

FINDING NUMBER 2001-30120-004

Noncompliance Citation

Ohio Revised Code §5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 for political subdivisions (other than counties), may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty-seven percent of the transactions tested were not certified at the time the commitment was incurred. These commitments were not subsequently approved by Village Council within the aforementioned 30 day time period.

We recommend the Clerk certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30120-004	Ohio Revised Code § 5705.41(D) improper certification of funds	No	Not corrected - Management is attempting to address the situation. Reissued as Finding 2001-30120-004



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VILLAGE OF SHERWOOD

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 18, 2002**