



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Sherwood
Defiance County
P.O. Box 4545
Sherwood, Ohio 43556-0545

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 27, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sherwood
Defiance County
P.O. Box 4545
Sherwood, Ohio 43556-0545

To the Village Council:

We have audited the accompanying financial statements of the Village of Sherwood, Defiance County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has

elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Sherwood, Defiance County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

October 27, 2010

**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, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$18,281	\$28,683		\$46,964
Municipal Income Tax	69,940			69,940
Intergovernmental	79,172	264,433	\$137,500	481,105
Charges for Services	5,820	79,402		85,222
Fines, Licenses and Permits	3,912			3,912
Earnings on Investments	1,713	321		2,034
Miscellaneous	3,967	9,016		12,983
	182,805	381,855	137,500	702,160
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	44,186	63,014		107,200
Public Health Services	1,500			1,500
Leisure Time Activities	1,244	14,106		15,350
Community Environment	538			538
Basic Utility Service	839			839
Transportation		27,019		27,019
General Government	106,104			106,104
Debt Service:				
Redemption of Principal		17,377		17,377
Interest and Fiscal Charges		8,289		8,289
Capital Outlay	400	254,745	137,500	392,645
	154,811	384,550	\$137,500	676,861
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	27,994	(2,695)		25,299
Other Financing Receipts/(Disbursements):				
Sale of Land	17,548			17,548
Transfers-In		11,989		11,989
Transfers-Out	(14,744)			(14,744)
	2,804	11,989		14,793
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	30,798	9,294		40,092
Fund Cash Balances, January 1	64,699	137,994		202,693
Fund Cash Balances, December 31	\$95,497	\$147,288		\$242,785

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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$268,294		\$268,294
Operating Cash Disbursements:			
Personal Services	34,732		34,732
Employee Fringe Benefits	10,828		10,828
Contractual Services	52,886		52,886
Supplies and Materials	12,402		12,402
General Government		\$25	25
Other	1,242		1,242
Total Operating Cash Disbursements	112,090	25	112,115
Operating Income/(Loss)	156,204	(25)	156,179
Non-Operating Cash Receipts:			
Loan Proceeds	79,422		79,422
Miscellaneous Receipts	1,789		1,789
Total Non-Operating Cash Receipts	81,211		81,211
Non-Operating Cash Disbursements:			
Capital Outlay	178,253		178,253
Redemption of Principal	37,257		37,257
Interest and Other Fiscal Charges	14,476		14,476
Total Non-Operating Cash Disbursements	229,986		229,986
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	7,429	(25)	7,404
Transfers-In	2,755		2,755
Net Cash Receipts Over/(Under) Cash Disbursements	10,184	(25)	10,159
Fund Cash Balances, January 1	537,471	\$25	537,496
Fund Cash Balances, December 31	\$547,655		\$547,655

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, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$17,461	\$28,029		\$45,490
Municipal Income Tax	70,563			70,563
Intergovernmental	86,516	48,711	\$10,000	145,227
Charges for Services	5,820	68,419		74,239
Fines, Licenses and Permits	4,336			4,336
Earnings on Investments	6,046	495		6,541
Miscellaneous	388	6,264		6,652
	<u>191,130</u>	<u>151,918</u>	<u>10,000</u>	<u>353,048</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	40,703	51,526		92,229
Leisure Time Activities	754	20,126	362	21,242
Community Environment	840			840
Basic Utility Service	805			805
Transportation		69,337		69,337
General Government	166,243			166,243
Debt Service:				
Redemption of Principal		21,842		21,842
Interest and Fiscal Charges		12,813		12,813
Capital Outlay	29,365	7,325	10,601	47,291
	<u>238,710</u>	<u>182,969</u>	<u>10,963</u>	<u>432,642</u>
Total Cash Disbursements				
Total Cash Disbursements Over Cash Receipts	<u>(47,580)</u>	<u>(31,051)</u>	<u>(963)</u>	<u>(79,594)</u>
Other Financing Receipts/(Disbursements):				
Loan Proceeds		30,000		30,000
Reimbursements	21,790			21,790
Transfers-In		23,105		23,105
Transfers-Out	(29,740)			(29,740)
Advances-In	12,000			12,000
Advances-Out			(12,000)	(12,000)
	<u>4,050</u>	<u>53,105</u>	<u>(12,000)</u>	<u>45,155</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(43,530)	22,054	(12,963)	(34,439)
Fund Cash Balances, January 1	<u>108,229</u>	<u>115,940</u>	<u>\$12,963</u>	<u>237,132</u>
Fund Cash Balances, December 31	<u><u>\$64,699</u></u>	<u><u>\$137,994</u></u>		<u><u>\$202,693</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 - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<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	\$261,228		\$261,228
Fines, Licenses and Permits		\$25	25
Miscellaneous	10		10
Total Operating Cash Receipts	261,238	25	261,263
Operating Cash Disbursements:			
Personal Services	34,076		34,076
Employee Fringe Benefits	8,452		8,452
Contractual Services	36,496		36,496
Supplies and Materials	20,808		20,808
Other	1,300		1,300
Total Operating Cash Disbursements	101,132		101,132
Operating Income	160,106	25	160,131
Non-Operating Cash Receipts:			
Intergovernmental	250		250
Non-Operating Cash Disbursements:			
Capital Outlay	97,514		97,514
Redemption of Principal	45,262		45,262
Interest and Other Fiscal Charges	16,570		16,570
Total Non-Operating Cash Disbursements	159,346		159,346
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	1,010	25	1,035
Transfers-In	6,635		6,635
Net Cash Receipts Over Cash Disbursements	7,645	25	7,670
Fund Cash Balances, January 1	529,826		529,826
Fund Cash Balances, December 31	\$537,471	\$25	\$537,496

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, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sherwood, Defiance County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in one public entity risk pool. This organization is the Ohio Government Risk Management Plan (the "Plan). Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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.

Emergency Management Services (EMS) Fund – This fund receives payments from residents of the Village and those in surrounding areas who receive emergency rescue services from Village emergency service personnel. Grants are also a source of revenue.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Issue II Grant Fund –This fund accounts for grant funds from the Ohio Public Works Commission which were received and spent on behalf of the Village for the wastewater pump station replacement project.

Rapid Outreach Grant Fund –This fund accounts for grant funds received from the State of Ohio Department of Development for the Coy Road ditch relocation project.

Community Development Block Grant (CDBG) Grant Fund –This fund accounts for grant funds received through the CDBG Formula Program to help with the costs of installation of a new playground at the Little Reservation Station.

4. Enterprise Funds

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

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

5. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Fund:

Mayor's Court Fund – This fund received a fine payment imposed by the Mayor against a Village resident. The Village dissolved the Mayor's Court after fiscal year 2007.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	\$609,450	\$559,698
STAR Ohio	180,990	180,491
Total deposits and investments	\$790,440	\$740,189

Deposits: Deposits are 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 ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$190,220	\$200,353	\$10,133
Special Revenue	345,800	393,844	48,044
Capital Projects	137,500	137,500	
Enterprise	318,330	352,260	33,930
Total	\$991,850	\$1,083,957	\$92,107

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$254,000	\$169,555	\$84,445
Special Revenue	476,600	384,550	92,050
Capital Projects	137,500	137,500	
Enterprise	745,314	342,076	403,238
Total	\$1,613,414	\$1,033,681	\$579,733

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,771	\$212,920	\$41,149
Special Revenue	157,530	205,023	47,493
Capital Projects	10,000	10,000	
Enterprise	115,832	268,123	152,291
Total	<u>\$455,133</u>	<u>\$696,066</u>	<u>\$240,933</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$280,000	\$268,450	\$11,550
Special Revenue	272,015	182,969	89,046
Capital Projects	10,963	10,963	
Enterprise	645,175	260,478	384,697
Total	<u>\$1,208,153</u>	<u>\$722,860</u>	<u>\$485,293</u>

4. Property Tax

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

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

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. Local Income Tax

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

Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt

Debt outstanding at December 31, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$70,520	5.15%
Sherwood State Bank Loans	136,091	4.875% - 5.25%
Fire Marshall Revolving Loan Program	45,098	
USDA Rural Development Mortgage Revenue Bonds	160,000	5.00%
Defiance County Revolving Loan	5,000	
Ohio Public Works Commission Loan No. CE30E	103,157	
Ohio Public Works Commission Loan No. CE09M	<u>79,422</u>	
Total	<u><u>\$599,288</u></u>	

The Ohio Water Development Authority (OWDA) Loan was issued for the installation of sewer lines. The loan for the sewer line project was approved in 2001 for a total of \$95,685 to be paid in semiannual installments of \$3,860, including interest, over 21 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

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

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

The Ohio Public Works Commission (OPWC) Loans relate to sewer improvements. OPWC Loan No. CE30E was issued for the installation of sewer lines. The loan was issued in 2001 for \$158,703 to be paid in semiannual installments of \$3,967 over 20 years. OPWC Loan No. CE09M related to the wastewater pump station replacement project. The Village was approved in 2009 for the loan totaling \$107,500 but the project was not complete as of December 31, 2009. The loan will be paid in semiannual installments of \$1,792 over 30 years, but is not included in the accompanying amortization schedule.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OWDA Loan	Sherwood State Bank Loans	Fire Marshal Revolving Loan	Mortgage Revenue Bonds	OPWC Loan No. CE30E	Defiance County Revolving Loan
2010	\$7,721	\$26,233	\$5,637	\$25,150	\$7,935	\$2,500
2011	7,721	26,233	5,637	25,150	7,935	2,500
2012	7,721	26,233	5,637	24,250	7,935	
2013	7,721	21,421	5,637	24,350	7,935	
2014	7,721	17,979	5,637	24,400	7,935	
2015-2019	50,823	44,860	16,913	74,900	39,675	
2020-2022	35,791				23,807	
Total	<u>\$125,219</u>	<u>\$162,959</u>	<u>\$45,098</u>	<u>\$198,200</u>	<u>\$103,157</u>	<u>\$5,000</u>

7. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Pool Membership (Continued)

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members’ Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

9. Outstanding Contractual Commitment and Future OWDA Funding.

As of December 31, 2009, the Village had an outstanding contract for a wastewater treatment plant improvements project, which entails supplying and installing five solar powered floating circulation machines for the wastewater treatment lagoons with Fort Defiance Construction & Supply, Inc. The total amount of the project, including engineering costs, was estimated to be \$251,391.

On December 18, 2009, the Ohio Water Development Authority (OWDA) approved the Village for a loan (OWDA Loan No. 5454) for the wastewater treatment plant improvements project. The Village entered into an Ohio Water Pollution Control Loan Fund (WPCLF) agreement with the Ohio Environmental Protection Agency (Ohio EPA) and the OWDA to designate a dedicated repayment source for the loan. The agreement provides the dedicated source of repayment is 100% full principal forgiveness through the American Recovery and Reinvestment Act (ARRA) of 2009. Ultimately, the Village is receiving ARRA federal stimulus grant funding, passed down through the OWDA, as the funding source for this project which does not require any repayment with Village funds.



Mary Taylor, CPA
Auditor of State

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

Village of Sherwood
Defiance County
P.O. Box 4545
Sherwood, Ohio 43556-0545

To the Village Council:

We have audited the financial statements of the Village of Sherwood, Defiance County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 27, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 27, 2010.

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

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



Mary Taylor, CPA
Auditor of State

October 27, 2010

**VILLAGE OF SHERWOOD
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Material Weakness

Monitoring of Financial Transactions

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village's financial statements for the years ended December 31, 2009 and 2008, contained posting errors, such as the following:

- In 2009, proceeds from the sale of Village land in the amount of \$17,548 were erroneously booked as charges for services in the General Fund.
- In 2009, capital outlay disbursements totaling \$107,500 for the wastewater pump station replacement project were incorrectly reported as basic utility services disbursements in the Capital Projects fund type.
- In 2009, \$79,422 in loan proceeds from the Ohio Public Works Commission were incorrectly reported as other financing sources in the Sewer Fund. Similarly, in 2008, \$30,000 in loan proceeds from Defiance County were incorrectly reported as other financing sources in the Special Revenue Funds.
- In 2008, insurance reimbursements of \$21,790 were posted to miscellaneous revenue.

As a result, audit adjustments were made to the Village's financial statements to correct the posting errors as listed above. Audit adjustments were also made for other posting discrepancies ranging from \$10 to \$2,177. The occurrence of such errors increases the possibility the financial statements and accounting records could be materially misstated. Inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Village. The financial statements and accounting records have been adjusted to reflect these corrections.

We recommend financial transactions only be included in the proper fund and account codes as specified in the Village Officers' Handbook issued by the Auditor of State. Furthermore, the Village Council should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Council Members to help ensure errors and omissions are detected and corrected.

Official's Response:

The Village Officials responded that, "Effective immediately, all transactions are being reviewed by the Village Administrator in coordination with the Chief Fiscal Officer to ensure all transactions are posted in the proper account. Additionally, the Village Administrator and the Chief Fiscal Officer are in the process of reviewing all transactions for 2010 through the current date to ensure all transactions are posted to the proper account. Any necessary adjustments will be made before the end of the year."

VILLAGE OF SHERWOOD
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Recommended improvements in utility internal controls.	No	Partially corrected – reissued in the Management Letter



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHERWOOD

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 16, 2010**