

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**



Dave Yost • Auditor of State

Members of Council
Village of Sherrodsville
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, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 21, 2012

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VILLAGE OF SHERRODSVILLE
CARROLL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1 - 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2009	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2008	6
Notes to the Financial Statements	7 - 12
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13 - 14
Schedule of Findings	15 - 17
Schedule of Prior Audit Findings	18

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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 the Village Council:

We have audited the accompanying financial statements of the Village of Sherrodsville, Carroll County, Ohio (the Village) as of and for the year ended December 31, 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 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 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.

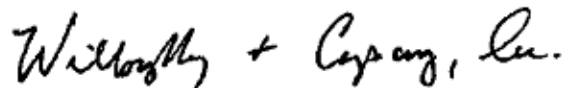
Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the 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 year 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 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 and reserves for encumbrances of the Village of Sherrodsville, Carroll 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 aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. 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 31, 2011, 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.



Willoughby & Company, Inc. - Certified Public Accountants

October 31, 2011

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 8,047	\$ -	\$ 8,047
Municipal Income Tax	21,482	-	21,482
Intergovernmental	20,925	12,021	32,946
Charges for Services	28,119	-	28,119
Fines, Licenses and Permits	598	2,543	3,141
Earnings on Investments	136	17	153
Miscellaneous	4,380	-	4,380
Total Cash Receipts	83,687	14,581	98,268
Cash Disbursements:			
Current:			
Security of Persons and Property	4,986	-	4,986
Leisure Time Activities	2,890	-	2,890
Basic Utility Services	4,425	4,183	8,608
Transportation	-	15,691	15,691
General Government	63,556	-	63,556
Capital Outlay	-	-	-
Total Cash Disbursements	75,857	19,874	95,731
Total Cash Receipts Over/(Under) Disbursements	7,830	(5,293)	2,537
Other Financing Sources/(Uses):			
Sale of Fixed Asset	-	-	-
Other Financing Sources	487	-	487
Other Financing Uses	(5,303)	-	(5,303)
Total Other Financing Sources (Uses)	(4,816)	-	(4,816)
Excess of Cash Receipts Over/(Under) Disbursements and Other Financing Uses	3,014	(5,293)	(2,279)
Fund Cash Balances, January 1	46,555	25,658	72,213
Fund Cash Balances, December 31	\$ 49,569	\$ 20,365	\$ 69,934

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2009**

	Proprietary	Fiduciary
	Enterprise Funds	Agency Funds
Operating Receipts:		
Charges for Services	\$ 23,353	\$ -
Miscellaneous	-	-
Total Operating Cash Receipts	23,353	-
Operating Expenses:		
Contractual Services	9,239	-
Supplies and Materials	9,905	7,015
Total Operating Cash Disbursements	19,144	7,015
Operating Income/(Loss)	4,209	(7,015)
Non-Operating Cash Receipts:		
Intergovernmental Receipts	2,490	7,015
Other Financing Sources	-	-
Miscellaneous	2,450	-
Total Non-Operating Cash Receipts	4,940	7,015
Non-Operating Cash Disbursements:		
Other Financing Uses	(3,330)	-
Total Non-Operating Cash Disbursements	(3,330)	-
Net Receipts Over/Under Disbursements	5,819	-
Fund Cash Balances, January 1	33,919	-
Fund Cash Balances, December 31	\$ 39,738	\$ -

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 6,243	\$ -	\$ 6,243
Municipal Income Tax	21,723	-	21,723
Intergovernmental	86,999	12,247	99,246
Charges for Services	31,812	-	31,812
Fines, Licenses and Permits	-	2,452	2,452
Earnings on Investments	123	22	145
Miscellaneous	3,250	-	3,250
Total Cash Receipts	150,150	14,721	164,871
Cash Disbursements:			
Current:			
Security of Persons and Property	14,782	-	14,782
Leisure Time Activities	2,409	-	2,409
Basic Utility Services	8,441	1,368	9,809
Transportation	-	17,278	17,278
General Government	59,963	-	59,963
Capital Outlay	56,328	-	56,328
Total Cash Disbursements	141,923	18,646	160,569
Total Cash Receipts Over/(Under) Disbursements	8,227	(3,925)	4,302
Other Financing Sources/(Uses):			
Sale of Fixed Asset	350	-	350
Other Financing Sources	1,400	-	1,400
Other Financing Uses	(417)	-	(417)
Total Other Financing Sources (Uses)	1,333	-	1,333
Excess of Cash Receipts Over/(Under) Disbursements and Other Financing Uses	9,560	(3,925)	5,635
Fund Cash Balances, January 1	36,995	29,583	66,578
Fund Cash Balances, December 31	\$ 46,555	\$ 25,658	\$ 72,213

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2008**

	Proprietary	Fiduciary
	Enterprise Funds	Agency Fund
Operating Receipts:		
Charges for Services	\$ 7,102	\$ -
Miscellaneous	-	-
Total Operating Cash Receipts	7,102	-
Operating Expenses:		
Contractual Services	5,081	-
Supplies and Materials	750	119,527
Total Operating Cash Disbursements	5,831	119,527
Operating Income/(Loss)	1,271	(119,527)
Non-Operating Cash Receipts:		
Intergovernmental Receipts	863	119,527
Miscellaneous	2,000	-
Total Non-Operating Cash Receipts	2,863	119,527
Non-Operating Cash Disbursements:		
Other Financing Uses	(1,541)	-
Total Non-Operating Cash Disbursements	(1,541)	-
Net Receipts Over/Under Disbursements	2,593	-
Fund Cash Balances, January 1	31,326	-
Fund Cash Balances, December 31	\$ 33,919	\$ -

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sherrodsville, Carroll County, (the Village) as 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 Council-Mayor form of government using a six-member Council. The Village provides general governmental services including road maintenance and repairs and park operations (leisure time activities) along with appropriating general fund money to support a volunteer fire department.

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 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 adequately disclose material matters the Auditor of State prescribes.

The client has elected and has been approve to report it financial statements using the method the Auditor of State prescribes or permits. Previously, the Village reported the financial statements using the entity-wide financial statement reporting (GASB 34 Look-Alike report).

C. Cash and Investments

The Village invests all available funds of the Village in two interest bearing checking accounts and a certificate of deposit. The certificate of deposit is valued at cost.

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.

2. Special Revenue Funds

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

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

VILLAGE OF SHERRODSVILLE
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. **Enterprise Fund**

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

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

4. **Agency Fund**

Agency Funds are purely custodial in nature and are used to hold resources for individual, organization 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:

Other Agency Fund – This fund receives money from various entities to be disbursed out per grant requirements or individual requests.

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 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. Unencumbered appropriations lapse at year-end.

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.

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be 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 SHERRODSVILLE
CARROLL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2009	2008
Demand deposits	\$ 109,672	\$ 104,025
Certificate of Deposit	0	2,107
Total deposits and investments	\$ 109,672	\$ 106,132

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 53,201	\$ 84,174	\$ 30,973
Special Revenue	16,064	14,581	(1,483)
Enterprise	57,000	28,293	(28,707)
Agency	8,515	7,015	(1,500)
Total	\$ 134,780	\$ 134,063	\$ (717)

2009 Budget vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 63,069	\$ 81,160	\$ (18,091)
Special Revenue	32,000	19,874	12,126
Enterprise	88,559	22,474	66,085
Agency	7,015	7,015	0
Total	\$ 190,643	\$ 130,523	\$ 60,120

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

3. BUDGETARY ACTIVITY (continued)

Fund Type	2008 Budget vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,972	\$ 151,900	\$ 100,928
Special Revenue	16,064	14,721	(1,343)
Enterprise	65,393	9,965	(55,428)
Agency	<u>177,332</u>	<u>119,527</u>	<u>(57,805)</u>
Total	<u>\$ 309,761</u>	<u>\$ 296,113</u>	<u>\$ (13,648)</u>

Fund Type	2008 Budget vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 64,266	\$ 142,340	\$ (78,074)
Special Revenue	28,068	18,646	9,422
Enterprise	70,035	7,372	62,663
Agency	<u>177,319</u>	<u>119,527</u>	<u>57,792</u>
Total	<u>\$ 339,688</u>	<u>\$ 287,885</u>	<u>\$ 51,803</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 is due the following June 20.

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

Tangible personal property 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 for one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF SHERRODSVILLE
CARROLL COUNTY**

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

6. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

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

PEP retains casualty risks up to \$350,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the Members' Total Insurable Value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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.

VILLAGE OF SHERRODSVILLE
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

7. RISK MANAGEMENT (continued)

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, 2008 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$ 35,769,535	\$ 37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Retained Earnings	<u>\$ 20,459,329</u>	<u>\$ 20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.7 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. PEP will collect these amounts in the future annual premium billings when PEP's related liabilities are due for payment.

Based on discussion with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claim as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP each year of the membership.

Contributions to PEP

- 2007 \$ 9,775
- 2008 \$ 8,295
- 2009 \$ 8,968

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

Settled claims have not exceeded this commercial coverage in any of the last three years.



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 the Village Council:

We have audited the financial statements of the Village of Sherrodsville, Carroll County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 31, 2011, 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 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *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 corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses Finding 2009-001 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

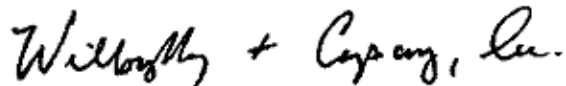
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly 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 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 items 2009-002 and 2009-003.

We noted certain other matters that we reported to management of the Village of Sherrodsville in a separate letter dated October 31, 2011.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Willoughby & Company, Inc. - Certified Public Accountants

October 31, 2011

VILLAGE OF SHERRODSVILLE
CARROLL 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

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 2009-002

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 is not to extend 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 2009-003

Noncompliance Citation

Budgetary Activity

Due to the reclassification of the Community Fire Department activity, 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.

**VILLAGE OF SHERRODSVILLE
CARROLL 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; Explain
2007-001	Classification of Community Fire Department Activities	No	Not Corrected: Included in report as finding 2009-001
2007-002	Ohio Revised Code Section 5705.41(D) Disbursements were not properly certified	No	Not Corrected: Included in report as finding 2009-002
2007-003	Noncompliance Citation - Budgetary Activity	No	Not Corrected: Included in report as finding 2009-003



Dave Yost • 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 3, 2012