



**Auditor of State
Betty Montgomery**

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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**Auditor of State
Betty Montgomery**

Sheffield Township
Lorain County
5166 Clinton Avenue
Lorain, Ohio 44055

To the Trustees:

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 a February 2, 2005 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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 27, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sheffield Township
Lorain County
5166 Clinton Avenue
Lorain, Ohio 44055

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheffield Township, Lorain County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements. For the year ending December 31, 2004, we audited the Township's regulatory accounting basis financial statements. These financial statements are the responsibility of the Township'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 Township 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 Government 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 2, the Township has prepared these financial statements for fiscal year ended December 31, 2004, 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements for the year ended December 31, 2004. Since this Township does not use GAAP to measure financial statement amounts, 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, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004 or its changes in financial position for the year then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township 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.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements for the year ended December 31, 2005 referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sheffield Township, Lorain County, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire Levy Fund, Light Levy Fund, General Operating Road Levy Fund, and the Ambulance and Emergency Medical Services Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006, on our consideration of the Township'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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 27, 2006

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**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

This discussion and analysis of Sheffield Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$188,148, or 24.4 percent, a significant change from the prior year. The funds most affected by the increase were the special revenue funds, which was due to a more conservative approach to spending.

The Township's general receipts are primarily property taxes. These receipts represent 51 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004. The property taxes include general property tax, tangible personal property tax, and the rollback and homestead exemption payments.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities. All of the Township's basic services are reported here, including streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Township has no business-type activity. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are divided into two categories, governmental and fiduciary.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Township fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Government's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Government's major governmental funds are the General, Gasoline Tax, Road and Bridge, Fire Levy, General Operating Road Levy, Light Levy, and Ambulance and Emergency Medical Services Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Township has no proprietary funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township has no fiduciary funds.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 on a cash basis:

(Table 1)
Net Assets

| | <u>Governmental Activities</u> <u>2005</u> |
|---------------------------|---|
| Assets | |
| Cash and Cash Equivalents | \$960,375 |
| Total Assets | <u>960,375</u> |
| Net Assets | |
| Restricted for: | |
| Other Purposes | 903,173 |
| Unrestricted | 57,202 |
| Total Net Assets | <u>\$960,375</u> |

As mentioned previously, net assets of the Township activities increased \$188,148 or 24.4% during 2005. The primary reason contributing to the increase in cash balances was a more conservative spending approach.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

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

(Table 2)
Changes in Net Assets

| | Governmental Activities 2005 |
|--|------------------------------------|
| | 2005 |
| Receipts: | |
| Program Receipts: | |
| Charges for Services and Sales | \$43,959 |
| Operating Grants and Contributions | 78,877 |
| Total Program Receipts | 122,836 |
| General Receipts: | |
| Property and Other Local Taxes | 426,800 |
| Grants and Entitlements Not Restricted to Specific Programs | 261,516 |
| Earnings on Investments | 10,895 |
| Miscellaneous | 21,557 |
| Total General Receipts | 720,768 |
| Total Receipts | 843,604 |
| | |
| Disbursements: | |
| General Government | 148,916 |
| Public Safety | 144,424 |
| Public Works | 296,330 |
| Health | 8,000 |
| Capital Outlay | 54,809 |
| Principal Retirement | 2,977 |
| Total Disbursements | 655,456 |
| | |
| Excess (Deficiency) Before Transfers | 188,148 |
| Increase (Decrease) in Net Assets | 188,148 |
| | |
| Net Assets, January 1, 2005 | 772,227 |
| Net Assets, December 31, 2005 | \$960,375 |

Program receipts represent only 14.6 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and building permits and inspection fees.

General receipts represent 85.4 percent of the Township's total receipts, and of this amount, over 59.2 percent are local taxes. State and federal grants and entitlements make up the balance of the Government's general receipts (40.8 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works, which account for 22.7 and 45.2 percent of all governmental disbursements, respectively. Capital outlay and public safety also represents a significant cost, about 8.3 and 22.0 percent, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

| | Total Cost Of Services | Net Cost of Services |
|-----------------------|---------------------------|-------------------------|
| | 2005 | 2005 |
| General Government | \$148,916 | (\$104,957) |
| Public Safety | 144,424 | (144,424) |
| Public Works | 296,330 | (217,453) |
| Health | 8,000 | (8,000) |
| Capital Outlay | 54,809 | (54,809) |
| Principal Retirement | 2,977 | (2,977) |
| Total Expenses | \$655,456 | (\$532,620) |

The dependence upon property tax receipts is apparent as over 50.6 percent of governmental activities are supported through these general receipts.

General Fund Budgeting Highlights

The Government's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

During 2005, the Government amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, the Government's outstanding debt included \$23,818 in general obligation bonds issued for Ohio Public Works Commission Projects. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Patricia F. Echko, Fiscal Officer, Sheffield Township, 5166 Clinton Avenue, Lorain, OH 44055.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2005*

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$960,375 |
| <i>Total Assets</i> | <u><u>960,375</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Other Purposes | 903,173 |
| Unrestricted | 57,202 |
| <i>Total Net Assets</i> | <u><u>\$960,375</u></u> |

See accompanying notes to the basic financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets | |
|---|--------------------------------------|--|--|---|------------------|
| Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| Governmental Activities | | | | | |
| General Government | \$148,916 | \$43,959 | \$0 | \$0 | (\$104,957) |
| Public Safety | 144,424 | 0 | 0 | 0 | (144,424) |
| Public Works | 296,330 | 0 | 78,877 | 0 | (217,453) |
| Health | 8,000 | 0 | 0 | 0 | (8,000) |
| Capital Outlay | 54,809 | 0 | 0 | 0 | (54,809) |
| Debt Service: | | | | | |
| Principal | 2,977 | 0 | 0 | 0 | (2,977) |
| <i>Total Governmental Activities</i> | <u>\$655,456</u> | <u>\$43,959</u> | <u>\$78,877</u> | <u>\$0</u> | <u>(532,620)</u> |
| General Receipts | | | | | |
| Property Taxes | | | | | 426,800 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 261,516 |
| Earnings on Investments | | | | | 10,895 |
| Miscellaneous | | | | | 21,557 |
| Total General Receipts | | | | | 720,768 |
| Change in Net Assets | | | | | 188,148 |
| Net Assets Beginning of Year | | | | | 772,227 |
| Net Assets End of Year | | | | | \$960,375 |

See accompanying notes to the basic financial statements.

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**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | General | Gasoline Tax | Road and Bridge | Fire Levy |
|--|-----------------|------------------|--------------------|------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$57,202 | \$118,711 | \$126,375 | \$101,055 |
| <i>Total Assets</i> | <u>57,202</u> | <u>118,711</u> | <u>126,375</u> | <u>101,055</u> |
| Fund Balances | | | | |
| Unreserved: | | | | |
| Undesignated (Deficit), Reported in: | | | | |
| General Fund | 57,202 | 0 | 0 | 0 |
| Special Revenue Funds | 0 | 118,711 | 126,375 | 101,055 |
| <i>Total Fund Balances</i> | <u>\$57,202</u> | <u>\$118,711</u> | <u>\$126,375</u> | <u>\$101,055</u> |

See accompanying notes to the basic financial statements.

| Light Levy | General Operating Road Levy | Ambulance and Emergency Medical Services | Other Governmental Funds | Total Governmental Funds |
|------------------|-----------------------------------|--|--------------------------------|--------------------------------|
| \$254,768 | \$54,388 | \$110,765 | \$137,111 | \$960,375 |
| <u>254,768</u> | <u>54,388</u> | <u>110,765</u> | <u>137,111</u> | <u>960,375</u> |
| 0 | 0 | 0 | 0 | 57,202 |
| 254,768 | 54,388 | 110,765 | 137,111 | 903,173 |
| <u>\$254,768</u> | <u>\$54,388</u> | <u>\$110,765</u> | <u>\$137,111</u> | <u>\$960,375</u> |

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | General | Gasoline Tax | Road and Bridge | Fire Levy |
|---|-----------------|------------------|--------------------|------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$47,866 | \$0 | \$68,917 | \$45,345 |
| Licenses, Permits and Fees | 39,718 | 0 | 0 | 0 |
| Fines and Forfeitures | 954 | 0 | 0 | 0 |
| Intergovernmental | 136,314 | 73,230 | 8,184 | 5,372 |
| Special Assessments | 0 | 0 | 0 | 0 |
| Earnings on Investments | 9,307 | 1,531 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 |
| Total Receipts | 234,159 | 74,761 | 77,101 | 50,717 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 148,916 | 0 | 0 | 0 |
| Public Safety | 0 | 0 | 0 | 38,088 |
| Public Works | 51,050 | 69,346 | 53,934 | 0 |
| Health | 8,000 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 2,977 | 0 | 0 |
| Total Disbursements | 207,966 | 72,323 | 53,934 | 38,088 |
| Excess of Receipts Over (Under) Disbursements | 26,193 | 2,438 | 23,167 | 12,629 |
| Fund Balances Beginning of Year | 31,009 | 116,273 | 103,208 | 88,426 |
| Fund Balances End of Year | \$57,202 | \$118,711 | \$126,375 | \$101,055 |

See accompanying notes to the basic financial statements.

| Light Levy | General Operating Levy | Ambulance and Emergency Medical Services | Other Governmental Funds | Total |
|------------------|------------------------|--|--------------------------|------------------|
| \$31,113 | \$102,516 | \$115,017 | \$16,026 | \$426,800 |
| 0 | 0 | 0 | 0 | 39,718 |
| 0 | 0 | 0 | 0 | 954 |
| 3,133 | 11,937 | 13,379 | 88,844 | 340,393 |
| 0 | 0 | 0 | 3,287 | 3,287 |
| 0 | 0 | 0 | 57 | 10,895 |
| 0 | 1,586 | 2,000 | 17,971 | 21,557 |
| <u>34,246</u> | <u>116,039</u> | <u>130,396</u> | <u>126,185</u> | <u>843,604</u> |
| 0 | 0 | 0 | 0 | 148,916 |
| 0 | 0 | 86,664 | 19,672 | 144,424 |
| 12,078 | 105,587 | 0 | 4,335 | 296,330 |
| 0 | 0 | 0 | 0 | 8,000 |
| 0 | 0 | 54,809 | 0 | 54,809 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,977</u> |
| <u>12,078</u> | <u>105,587</u> | <u>141,473</u> | <u>24,007</u> | <u>655,456</u> |
| 22,168 | 10,452 | (11,077) | 102,178 | 188,148 |
| <u>232,600</u> | <u>43,936</u> | <u>121,842</u> | <u>34,933</u> | <u>772,227</u> |
| <u>\$254,768</u> | <u>\$54,388</u> | <u>\$110,765</u> | <u>\$137,111</u> | <u>\$960,375</u> |

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | Budgeted Amounts | | | (Optional) Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|-----------------|---|
| | Original | Final | Actual | |
| Receipts | | | | |
| Property and Other Local Taxes | \$60,332 | \$50,454 | \$47,866 | (\$2,588) |
| Licenses, Permits and Fees | 4,000 | 20,000 | 39,718 | 19,718 |
| Fines and Forfeitures | 24,540 | 11,315 | 954 | (10,361) |
| Intergovernmental | 138,512 | 104,883 | 136,314 | 31,431 |
| Earnings on Investments | 9,307 | 4,000 | 9,307 | 5,307 |
| <i>Total receipts</i> | <u>236,691</u> | <u>190,652</u> | <u>234,159</u> | <u>43,507</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 165,023 | 165,023 | 148,916 | 16,107 |
| Public Works | 52,000 | 52,000 | 51,050 | 950 |
| Health | 8,000 | 8,000 | 8,000 | 0 |
| <i>Total Disbursements</i> | <u>225,023</u> | <u>225,023</u> | <u>207,966</u> | <u>17,057</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 11,668 | (34,371) | 26,193 | 60,564 |
| <i>Fund Balance Beginning of Year</i> | <u>31,010</u> | <u>31,010</u> | <u>31,010</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$42,678</u> | <u>(\$3,361)</u> | <u>\$57,203</u> | <u>\$60,564</u> |

See accompanying notes to the basic financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>(Optional) Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------------|-------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Intergovernmental | \$74,500 | \$72,563 | \$73,230 | \$667 |
| Earnings on Investments | 500 | 2,437 | 1,531 | (906) |
| <i>Total receipts</i> | <u>75,000</u> | <u>75,000</u> | <u>74,761</u> | <u>(239)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 58,523 | 75,073 | 69,346 | 5,727 |
| Debt Service: | | | | |
| Principal Retirement | 2,977 | 2,977 | 2,977 | 0 |
| <i>Total Disbursements</i> | <u>61,500</u> | <u>78,050</u> | <u>72,323</u> | <u>5,727</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 13,500 | (3,050) | 2,438 | 5,488 |
| <i>Fund Balance Beginning of Year</i> | 99,723 | 99,723 | 99,723 | 0 |
| Prior Year Encumbrances Appropriated | <u>16,550</u> | <u>16,550</u> | <u>16,550</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$129,773</u></u> | <u><u>\$113,223</u></u> | <u><u>\$118,711</u></u> | <u><u>\$5,488</u></u> |

See accompanying notes to the basic financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | (Optional) |
|--|-------------------------|-------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | Variance with Final Budget Positive (Negative) |
| Receipts | | | | |
| Property and Other Local Taxes | \$76,401 | \$74,898 | \$68,917 | (\$5,981) |
| Intergovernmental | 2,000 | 3,000 | 8,184 | 5,184 |
| <i>Total receipts</i> | <u>78,401</u> | <u>77,898</u> | <u>77,101</u> | <u>(797)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 67,150 | 67,150 | 53,934 | 13,216 |
| <i>Total Disbursements</i> | <u>67,150</u> | <u>67,150</u> | <u>53,934</u> | <u>13,216</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 11,251 | 10,748 | 23,167 | 12,419 |
| <i>Fund Balance Beginning of Year</i> | <u>103,208</u> | <u>103,208</u> | <u>103,208</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$114,459</u></u> | <u><u>\$113,956</u></u> | <u><u>\$126,375</u></u> | <u><u>\$12,419</u></u> |

See accompanying notes to the basic financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | Budgeted Amounts | | Actual | (Optional) Variance with Final Budget Positive (Negative) |
|--|------------------|----------|-----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$48,202 | \$50,330 | \$45,345 | (\$4,985) |
| Intergovernmental | 2,100 | 0 | 5,372 | 5,372 |
| <i>Total receipts</i> | 50,302 | 50,330 | 50,717 | 387 |
| Disbursements | | | | |
| Current: | | | | |
| Public Safety | 45,917 | 45,917 | 38,088 | 7,829 |
| <i>Total Disbursements</i> | 45,917 | 45,917 | 38,088 | 7,829 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 4,385 | 4,413 | 12,629 | 8,216 |
| <i>Fund Balance Beginning of Year</i> | 88,426 | 88,426 | 88,426 | 0 |
| <i>Fund Balance End of Year</i> | \$92,811 | \$92,839 | \$101,055 | \$8,216 |

See accompanying notes to the basic financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | Budgeted Amounts | | Actual | (Optional) Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$31,100 | \$31,100 | \$31,113 | \$13 |
| Intergovernmental | 2,759 | 2,759 | 3,133 | 374 |
| <i>Total receipts</i> | <u>33,859</u> | <u>33,859</u> | <u>34,246</u> | <u>387</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 12,600 | 12,600 | 12,078 | 522 |
| <i>Total Disbursements</i> | <u>12,600</u> | <u>12,600</u> | <u>12,078</u> | <u>522</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 21,259 | 21,259 | 22,168 | 909 |
| <i>Fund Balance Beginning of Year</i> | <u>232,600</u> | <u>232,600</u> | <u>232,600</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$253,859</u> | <u>\$253,859</u> | <u>\$254,768</u> | <u>\$909</u> |

See accompanying notes to the basic financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | (Optional) |
|--|-------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | Variance with Final Budget Positive (Negative) |
| Receipts | | | | |
| Property and Other Local Taxes | \$102,000 | \$111,846 | \$102,516 | (\$9,330) |
| Intergovernmental | 8,000 | 0 | 11,937 | 11,937 |
| Earnings on Investments | 1,782 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 1,586 | 1,586 |
| <i>Total receipts</i> | <u>111,782</u> | <u>111,846</u> | <u>116,039</u> | <u>4,193</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 108,750 | 108,750 | 105,587 | 3,163 |
| <i>Total Disbursements</i> | <u>108,750</u> | <u>108,750</u> | <u>105,587</u> | <u>3,163</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 3,032 | 3,096 | 10,452 | 7,356 |
| <i>Fund Balance Beginning of Year</i> | <u>43,936</u> | <u>43,936</u> | <u>43,936</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$46,968</u></u> | <u><u>\$47,032</u></u> | <u><u>\$54,388</u></u> | <u><u>\$7,356</u></u> |

See accompanying notes to the basic financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Ambulance and Emergency Medical Services Fund
For the Year Ended December 31, 2005*

| | Budgeted Amounts | | Actual | (Optional) Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$121,230 | \$125,465 | \$115,017 | (\$10,448) |
| Intergovernmental | 4,159 | 0 | 13,379 | 13,379 |
| Miscellaneous | 0 | 0 | 2,000 | 2,000 |
| <i>Total receipts</i> | 125,389 | 125,465 | 130,396 | 4,931 |
| Disbursements | | | | |
| Current: | | | | |
| Public Safety | 108,750 | 108,850 | 86,664 | 22,186 |
| Capital Outlay | 0 | 56,924 | 54,809 | 2,115 |
| <i>Total Disbursements</i> | 108,750 | 165,774 | 141,473 | 24,301 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 16,639 | (40,309) | (11,077) | 29,232 |
| <i>Fund Balance Beginning of Year</i> | 121,842 | 121,842 | 121,842 | 0 |
| <i>Fund Balance End of Year</i> | \$138,481 | \$81,533 | \$110,765 | \$29,232 |

See accompanying notes to the basic financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

| | Governmental Fund Types | | Totals |
|--|--------------------------------|----------------------------|------------------------------|
| | General | Special Revenue | (Memorandum Only) |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$58,297 | \$374,395 | \$432,692 |
| Licenses, Permits, and Fees | 35,200 | 0 | 35,200 |
| Fines and Forfeitures | 2,022 | 0 | 2,022 |
| Intergovernmental | 142,644 | 127,622 | 270,266 |
| Special Assessments | 0 | 3,504 | 3,504 |
| Earnings on Investments | 2,315 | 1,264 | 3,579 |
| Miscellaneous | 411 | 14,134 | 14,545 |
| Total Cash Receipts | 240,889 | 520,919 | 761,808 |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 278,131 | 0 | 278,131 |
| Public Safety | 0 | 118,176 | 118,176 |
| Public Works | 60,018 | 194,650 | 254,668 |
| Health | 7,472 | 0 | 7,472 |
| Conservation-Recreation | 0 | 0 | 0 |
| Capital Outlay | 0 | 98,122 | 98,122 |
| Debt Service: | | | |
| Redemption of Principal | 0 | 1,489 | 1,489 |
| Total Cash Disbursements | 345,621 | 412,437 | 758,058 |
| Total Receipts Over/(Under) Disbursements | (104,732) | 108,482 | 3,750 |
| Fund Cash Balance, January 1, 2004, Restated | 135,741 | 632,736 | 768,477 |
| Fund Cash Balance, December 31, 2004 | \$31,009 | \$741,218 | \$772,227 |
| Reserve for Encumbrances, December 31, 2004 | \$0 | \$16,550 | \$16,550 |

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

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**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 1 – REPORTING ENTITY

Sheffield Township, Lorain County, Ohio, (the Township) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The Township consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the City of Vermilion, Florence Township, and the Village of South Amherst for fire protection. Police protection is provided by the Lorain County Sheriff.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for fiscal year 2005 are presented on a cash basis of accounting and for fiscal year 2004 they are presented on a basis of accounting prescribed or permitted by the Auditor of state, which is similar to the cash receipts and disbursements basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements for fiscal year 2005 consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The financial statements for fiscal year 2004 consist of a statement of cash receipts, cash disbursements, and changes in fund cash balances.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. For fiscal year 2005, the focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. For fiscal year 2005, the Township had the following major funds:

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.

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fire Levy Fund – This fund receives property tax money for the purchase, maintenance, and operating of Township fire equipment.

Light Levy Fund – This fund receives property tax money for the purchase, maintenance, and operating of Township street lights.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

General Operating Road Levy Fund – This fund receives property tax money to provide for general operating expenses of the Township.

Ambulance and Emergency Medical Services Fund – This fund receives property tax money to provide for ambulance and emergency medical service expenses of the Township.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Township only utilizes an agency fund. This fund is used to collect and remit a three percent assessment of permit fees to the Board of Building Standards. No statements prepared as there was no activity in 2004 or 2005.

C. Basis of Accounting

For fiscal year 2005, the Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

For fiscal year 2004, the Township's 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.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. During fiscal year 2005, interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the 2005 financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005 and 2004, the Township invested in nonnegotiable certificates of deposit and STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and December 31, 2004.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

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

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the purchase of capital equipment to be paid for out of specified designated funds.

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

M. Interfund Transactions

Transfers on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 3– ACCOUNTABILITY AND COMPLIANCE

During fiscal year 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. During fiscal year 2005, the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

A. Accountability

There were no deficit fund balances.

B. Compliance

Ohio Rev. Code Section 5705.41(B)(D) prohibits a subdivision or taxing unit from making an expenditure or encumbrance unless it has been properly appropriated. Budgetary expenditures as enacted by the Township may not exceed appropriations at the legal level of control for all funds. At December 31, 2004, the General and General Operating Road Levy funds had final expenditures plus encumbrances exceeding authorized appropriations at the legal level of budgetary control of \$31,021 and \$92,031, respectively.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gasoline tax fund, and road & bridge fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

For fiscal year ending December 31, 2004, the Township reported the following budgetary activity regarding budgeted receipts and appropriations.

| <u>2004 Budgeted vs. Actual Budgetary Basis Receipts</u> | | | |
|--|--------------------------|------------------------|--------------------|
| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
| General | \$338,783 | \$240,889 | (\$97,894) |
| Special Revenue | 1,014,907 | 520,919 | (493,988) |
| Total | <u>\$1,353,690</u> | <u>\$761,808</u> | <u>(\$591,882)</u> |

| <u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u> | | | |
|--|--------------------------------|-------------------------------|-------------------|
| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
| General | \$314,600 | \$345,621 | (\$31,021) |
| Special Revenue | 388,384 | 428,987 | (40,603) |
| Total | <u>\$702,984</u> | <u>\$774,608</u> | <u>(\$71,624)</u> |

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2005, \$535,791 of the Township's bank balance of \$635,791 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. At fiscal year end 2004, \$357,440 of the Township's bank balance of \$457,440 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005 and December 31, 2004, the Township had the following investments:

| | <u>Carrying Value</u> | <u>Maturity</u> |
|-------------------|-----------------------|--------------------|
| December 31, 2005 | | |
| STAR Ohio | \$324,584 | Less than One Year |
| December 31, 2004 | | |
| STAR Ohio | \$314,787 | Less than One Year |

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township does not have an investment policy beyond the requirements of state statute. Ohio law addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

NOTE 7 – RISK MANAGEMET

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA 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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

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

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 7 – RISK MANAGEMET (Continued)

Property Coverage

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

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

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

| Casualty Coverage | 2005 | 2004 |
|--------------------------|--------------|--------------|
| Assets | \$30,485,638 | \$28,132,620 |
| Liabilities | (12,344,576) | (11,086,379) |
| Retained earnings | \$18,141,062 | \$17,046,241 |

| Property Coverage | 2005 | 2004 |
|--------------------------|-------------|-------------|
| Assets | \$9,177,796 | \$7,588,343 |
| Liabilities | (1,406,031) | (543,176) |
| Retained earnings | \$7,771,765 | \$7,045,167 |

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 7 – RISK MANAGEMET (Continued)

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$29,394.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Township's required contributions have been paid for 2005.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$21,209, \$22,373, and \$25,182 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$13,236. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 10 – DEBT

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

| | Interest Rate | Balance December 31, 2004 | Additions | Reductions | Balance December 31, 2005 | Due Within One Year |
|-------------------------|------------------|------------------------------|------------|----------------|------------------------------|------------------------|
| Governmental Activities | | | | | | |
| OPWC Loans | | | | | | |
| 2004 Issue | 0.00% | \$28,284 | \$0 | \$2,977 | \$25,307 | \$2,977 |
| Total | | \$28,284 | \$0 | \$2,977 | \$25,307 | \$2,977 |

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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

NOTE 10 – DEBT (Continued)

The Township's long-term debt activity for the year ended December 31, 2004, was as follows:

| | Interest Rate | Balance December 31, 2004 | Additions | Reductions | Balance December 31, 2004 | Due Within One Year |
|-------------------------|------------------|------------------------------|-----------|------------|------------------------------|------------------------|
| Governmental Activities | | | | | | |
| OPWC Loans | | | | | | |
| 2004 Issue | 0.00% | \$0 | \$29,773 | \$1,489 | \$28,284 | \$2,977 |
| Total | | \$0 | \$29,773 | \$1,489 | \$28,284 | \$2,977 |

The following is a summary of the Township's future annual debt service requirements:

| Year | G.O. Bonds | |
|-------------|------------|----------|
| | Principal | Interest |
| 2006 | \$2,977 | \$0.00 |
| 2007 | \$2,977 | \$0.00 |
| 2008 | \$2,977 | \$0.00 |
| 2009 | \$2,977 | \$0.00 |
| 2010 | \$2,977 | \$0.00 |
| 2011 – 2014 | \$10,422 | \$0.00 |
| Totals | \$25,307 | \$0.00 |

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2004, were an overall debt margin of \$5,478,549 and an unvoted debt margin of \$2,869,716.

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Auditor of State Betty Montgomery

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

Sheffield Township
Lorain County
6155 Clinton Avenue
Lorain, Ohio 44055

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheffield Township, Lorain County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and we have audited the regulatory accounting basis financial statements of the Township as of and for the year ended December 31, 2004, and have issued our report thereon dated September 27, 2006, wherein we noted for fiscal year ended December 31, 2005, the Township revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We also noted for fiscal year ended December 31, 2004, the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township 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 Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated September 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Township'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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

We intend this report solely for the information and use of the management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 27, 2006

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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

FINDING NUMBER 2005-001

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B)(D) prohibits a subdivision or taxing unit from making an expenditure or encumbrance unless it has been properly appropriated. Budgetary expenditures as enacted by the Township may not exceed appropriations at the legal level of control for all funds. The following funds had final expenditures plus encumbrances exceeding authorized appropriations at the legal level of budgetary control at December 31, 2004:

| | Appropriations | Expenditures Plus Encumbrances | Variance |
|------------------------------|-----------------------|---|-----------------|
| General Fund | \$314,600 | \$345,621 | (\$31,021) |
| General Obligation Road Levy | 0 | 92,031 | (92,031) |

We recommend the Township verify that all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally to be budgeted, at the legal level of control (fund, department, and object level for all funds), to maintain compliance with the above requirement.

Officials Response: The Fiscal Officer has implemented procedures to comply with this requirement.



**Auditor of State
Betty Montgomery**

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SHEFFIELD TOWNSHIP

LORAIN 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 14, 2006**