



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHEFFIELD
LORAIN COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Sheffield
Lorain County
4340 Colorado Avenue
Sheffield Village, Ohio 44054

To the Village Council:

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

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Mary Taylor, CPA
Auditor of State

March 21, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sheffield
Lorain County
4340 Colorado Avenue
Sheffield Village, Ohio 44054

To the Village Council:

We have audited the accompanying financial statements of Village of Sheffield, Lorain County, (the Village) as of and for the years ended December 31, 2006 and December 31, 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and December 31, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Sheffield, Lorain County, Ohio, as of December 31, 2006 and December 31, 2005, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Sheffield, Lorain County, Ohio, as of December 31, 2006 and December 31, 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

March 21, 2008

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Local Taxes | \$602,109 | \$0 | \$0 | \$0 | \$602,109 |
| Municipal Income Tax | 2,519,536 | 0 | 0 | 0 | 2,519,536 |
| Payments in Lieu of Taxes | 173,529 | 0 | 0 | 0 | 173,529 |
| Intergovernmental | 195,466 | 247,347 | 0 | 0 | 442,813 |
| Special Assessments | 0 | 0 | 235,303 | 0 | 235,303 |
| Charges for Services | 195,612 | 3,449 | 0 | 2,066 | 201,127 |
| Fines, Licenses and Permits | 565,056 | 36,632 | 0 | 0 | 601,688 |
| Earnings on Investments | 43,444 | 0 | 0 | 0 | 43,444 |
| Miscellaneous | 35,092 | 1,000 | 0 | 0 | 36,092 |
| Total Cash Receipts | 4,329,844 | 288,428 | 235,303 | 2,066 | 4,855,641 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 2,846,956 | 4,514 | 0 | 0 | 2,851,470 |
| Leisure Time Activities | 0 | 15,494 | 0 | 0 | 15,494 |
| Community Environment | 0 | 10,577 | 0 | 0 | 10,577 |
| Basic Utility Service | 0 | 61,167 | 0 | 0 | 61,167 |
| Transportation | 0 | 204,637 | 0 | 0 | 204,637 |
| General Government | 840,402 | 0 | 9,381 | 0 | 849,783 |
| Debt Service: | | | | | |
| Redemption of Principal | 0 | 3,242 | 127,053 | 85,000 | 215,295 |
| Interest and Fiscal Charges | 0 | 2 | 104,619 | 187,728 | 292,349 |
| Capital Outlay | 313,382 | 21,169 | 0 | 19,147 | 353,698 |
| Total Cash Disbursements | 4,000,740 | 320,802 | 241,053 | 291,875 | 4,854,470 |
| Total Receipts Over/(Under) Disbursements | 329,104 | (32,374) | (5,750) | (289,809) | 1,171 |
| Other Financing Receipts / (Disbursements): | | | | | |
| Other Financing Uses | (91,339) | 0 | 0 | 0 | (91,339) |
| Total Other Financing Receipts / (Disbursements) | (91,339) | 0 | 0 | 0 | (91,339) |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 237,765 | (32,374) | (5,750) | (289,809) | (90,168) |
| Fund Cash Balances, January 1 | 417,046 | 159,311 | 109,648 | (207,361) | 478,644 |
| Fund Cash Balances, December 31 | \$654,811 | \$126,937 | \$103,898 | (\$497,170) | \$388,476 |

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|---|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$1,168,956 | \$16,220 | \$1,185,176 |
| Mayor's Court | 0 | 407,201 | 407,201 |
| Total Operating Cash Receipts | 1,168,956 | 423,421 | 1,592,377 |
| Operating Cash Disbursements: | | | |
| Personal Services | 347,447 | 0 | 347,447 |
| Employee Fringe Benefits | 335 | 0 | 335 |
| Contractual Services | 579,269 | 0 | 579,269 |
| Supplies and Materials | 51,695 | 0 | 51,695 |
| Capital Outlay | 175,597 | 0 | 175,597 |
| Mayor's Court | 0 | 417,612 | 417,612 |
| Total Operating Cash Disbursements | 1,154,343 | 417,612 | 1,571,955 |
| Operating Income/(Loss) | 14,613 | 5,809 | 20,422 |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 0 | 0 | 0 |
| Redemption of Principal | 16,421 | 0 | 16,421 |
| Interest and Other Fiscal Charges | 0 | 0 | 0 |
| Other Non-Operating Cash Disbursements | 0 | 0 | 0 |
| Total Non-Operating Cash Disbursements | 16,421 | 0 | 16,421 |
| Net Receipts Over/(Under) Disbursements | (1,808) | 5,809 | 4,001 |
| Fund Cash Balances, January 1 | 741,403 | 40,807 | 782,210 |
| Fund Cash Balances, December 31 | \$739,595 | \$46,616 | \$786,211 |

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property and Local Taxes | \$589,469 | \$0 | \$0 | \$0 | \$589,469 |
| Municipal Income Tax | 2,411,322 | 0 | 0 | 0 | 2,411,322 |
| Payments in Lieu of Taxes | 15,994 | 0 | 0 | 0 | 15,994 |
| Intergovernmental | 222,807 | 225,636 | 0 | 0 | 448,443 |
| Special Assessments | 0 | 0 | 243,955 | 0 | 243,955 |
| Charges for Services | 184,707 | 2,600 | 0 | 0 | 187,307 |
| Fines, Licenses and Permits | 608,240 | 49,426 | 0 | 0 | 657,666 |
| Earnings on Investments | 27,891 | 0 | 0 | 0 | 27,891 |
| Miscellaneous | 31,905 | 2,800 | 0 | 0 | 34,705 |
| | <u>4,092,335</u> | <u>280,462</u> | <u>243,955</u> | <u>0</u> | <u>4,616,752</u> |
| Total Cash Receipts | | | | | |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 2,769,041 | 432 | 0 | 0 | 2,769,473 |
| Leisure Time Activities | 0 | 23,281 | 0 | 0 | 23,281 |
| Community Environment | 0 | 20,230 | 0 | 0 | 20,230 |
| Basic Utility Service | 0 | 53,332 | 0 | 0 | 53,332 |
| Transportation | 0 | 216,693 | 0 | 0 | 216,693 |
| General Government | 731,534 | 0 | 10,166 | 0 | 741,700 |
| Debt Service: | | | | | |
| Redemption of Principal | 0 | 3,242 | 126,486 | 4,720,000 | 4,849,728 |
| Interest and Fiscal Charges | 0 | 0 | 112,442 | 193,240 | 305,682 |
| Capital Outlay | 336,473 | 27,432 | 0 | 33,110 | 397,015 |
| | <u>3,837,048</u> | <u>344,642</u> | <u>249,094</u> | <u>4,946,350</u> | <u>9,377,134</u> |
| Total Cash Disbursements | | | | | |
| Total Receipts Over/(Under) Disbursements | <u>255,287</u> | <u>(64,180)</u> | <u>(5,139)</u> | <u>(4,946,350)</u> | <u>(4,760,382)</u> |
| Other Financing Receipts / (Disbursements): | | | | | |
| Proceeds from Sale of Public Debt: | | | | | |
| Sale of Bonds | 0 | 0 | 0 | 2,331,054 | 2,331,054 |
| Sale of Notes | 0 | 0 | 0 | 2,325,000 | 2,325,000 |
| Transfers-In | 0 | 15,414 | 0 | 0 | 15,414 |
| Transfers-Out | (15,414) | 0 | 0 | 0 | (15,414) |
| Other Financing Sources | 0 | 0 | 0 | 82,935 | 82,935 |
| Other Financing Uses | (101,423) | 0 | 0 | 0 | (101,423) |
| | <u>(116,837)</u> | <u>15,414</u> | <u>0</u> | <u>4,738,989</u> | <u>4,637,566</u> |
| Total Other Financing Receipts / (Disbursements) | | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 138,450 | (48,766) | (5,139) | (207,361) | (122,816) |
| Fund Cash Balances, January 1 | <u>278,596</u> | <u>208,077</u> | <u>114,787</u> | <u>0</u> | <u>601,460</u> |
| Fund Cash Balances, December 31 | <u>\$417,046</u> | <u>\$159,311</u> | <u>\$109,648</u> | <u>(\$207,361)</u> | <u>\$478,644</u> |

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$1,419,388 | \$0 | \$1,419,388 |
| Miscellaneous | 0 | 0 | 0 |
| Mayor's Court | 0 | 485,761 | 485,761 |
| | <hr/> | <hr/> | <hr/> |
| Total Operating Cash Receipts | 1,419,388 | 485,761 | 1,905,149 |
| Operating Cash Disbursements: | | | |
| Personal Services | 316,117 | 0 | 316,117 |
| Employee Fringe Benefits | 253 | 0 | 253 |
| Contractual Services | 602,177 | 0 | 602,177 |
| Supplies and Materials | 60,927 | 0 | 60,927 |
| Escrow Refunds | 32,133 | 32,133 | 64,266 |
| Capital Outlay | 409,448 | 0 | 409,448 |
| Mayor's Court | 0 | 482,844 | 482,844 |
| | <hr/> | <hr/> | <hr/> |
| Total Operating Cash Disbursements | 1,421,055 | 514,977 | 1,936,032 |
| Operating Income/(Loss) | <hr/> (1,667) | <hr/> (29,216) | <hr/> (30,883) |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 0 | 0 | 0 |
| Redemption of Principal | 11,739 | 0 | 11,739 |
| Interest and Other Fiscal Charges | 0 | 0 | 0 |
| Other Non-Operating Cash Disbursements | 0 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> |
| Total Non-Operating Cash Disbursements | 11,739 | 0 | 11,739 |
| Net Receipts Over/(Under) Disbursements | (13,406) | (29,216) | (42,622) |
| Fund Cash Balances, January 1 (restated) | <hr/> 754,809 | <hr/> 70,023 | <hr/> 824,832 |
| Fund Cash Balances, December 31 | <hr/> \$741,403 | <hr/> \$40,807 | <hr/> \$782,210 |

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sheffield, Lorain County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, water and sewer utilities, park operations, and police and fire services.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The Village values certificates of deposit and repurchase agreements 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 account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Solid Waste/Recycling Fund – This fund is used to account for a recycling grant received from the Lorain County Solid Waste District.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Evergreen Parkway Fund – This fund is used to account for principal and interest payments for the retirement of outstanding special assessment bonds for the cost of improving Evergreen Parkway by grading and paving including the construction of water, sanitary sewer and storm lines.

Sheffield Commercial Drive – This fund is used to account for principal and interest payments for the retirement of outstanding special assessment bonds for the cost of constructing Commercial Drive.

I-90 Sewer – This fund is used to account for principal and interest payments for the retirement of special assessment bonds for the cost of constructing sewers along I-90.

4. Capital Project Funds

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

Capital Projects Construction Fund – This fund receives proceeds of general obligation bonds. The proceeds are being used for various construction projects.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Storm Water Management Fund – This fund receives charges for services from residents to cover storm water management costs.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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

The Village had the following significant fiduciary fund:

Mayor's Court Agency Fund – This fund receives fine monies, court costs, and fees that are held pending distribution in accordance with statutory specifications or as directed by the court.

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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2006 and 2005 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.

G. Accumulated Leave

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

2. Restatement of Beginning Fund Balance—Correction of an Error

The Village restated their December 31, 2004 fund balances for the Enterprise and Agency Funds. This restatement reflects the effects of the Village incorrectly posting a deposit received from a developer that should have been recorded in an Agency Fund. The deposit was received in October 2004, and erroneously recorded in an Enterprise Fund. This adjustment had the following effect on fund balances as previously reported at December 31, 2004:

| | Enterprise Funds | Agency Funds |
|---|---------------------|-----------------|
| Fund balance, December 31, 2004 | \$ 786,942 | \$ 37,890 |
| Adjustment for developer's deposit | (32,133) | 32,133 |
| Restated fund balance, January 1, 2005 | \$ 754,809 | \$ 70,023 |

3. Equity in Pooled Cash and Investments

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

3. Equity in Pooled Cash and Investments (Continued)

| | 2006 | 2005 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$919,154 | \$865,213 |
| Total deposits | 919,154 | 865,213 |
| Repurchase agreement | 255,533 | 395,641 |
| Total investments | 255,533 | 395,641 |
| Total deposits and investments | \$1,174,687 | \$1,260,854 |

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

Investments: The Federal Reserve holds the Village's sweep account in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------|
| General | \$4,049,471 | \$4,092,079 | (\$42,608) |
| Special Revenue | 396,201 | 320,800 | 75,401 |
| Debt Service | 242,423 | 241,053 | 1,370 |
| Capital Projects | 297,728 | 291,875 | 5,853 |
| Enterprise | 1,309,105 | 1,170,764 | 138,341 |
| Total | \$6,294,928 | \$6,116,571 | \$178,357 |

2006 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-------------|
| General | \$3,960,907 | \$4,329,844 | \$368,937 |
| Special Revenue | 289,727 | 288,428 | (1,299) |
| Debt Service | 226,423 | 235,303 | 8,880 |
| Capital Projects | 297,728 | 2,066 | (295,662) |
| Enterprise | 1,450,080 | 1,168,956 | (281,124) |
| Total | \$6,224,865 | \$6,024,597 | (\$200,268) |

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

4. Budgetary Activity (Continued)

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$3,831,872 | \$4,092,335 | \$260,463 |
| Special Revenue | 309,913 | 295,876 | (14,037) |
| Debt Service | 226,556 | 243,955 | 17,399 |
| Capital Projects | 4,946,350 | 4,738,989 | (207,361) |
| Enterprise | 1,333,952 | 1,423,422 | 89,470 |
| Total | \$10,648,643 | \$10,794,577 | \$145,934 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$4,061,822 | \$3,953,855 | \$107,967 |
| Special Revenue | 398,272 | 344,642 | 53,630 |
| Debt Service | 251,983 | 249,094 | 2,889 |
| Capital Projects | 4,946,350 | 4,946,350 | 0 |
| Enterprise | 1,609,051 | 1,432,794 | 176,257 |
| Total | \$11,267,478 | \$10,926,735 | \$340,743 |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$42,608 for the year ended December 31, 2006. Also contrary to Ohio law, at December 31, 2005 and December 31, 2006, the Capital Projects Fund had cash deficit balances of \$207,361 and \$497,170, respectively. These budgetary violations resulted from audit adjustments. Also, various funds were in violation of Ohio Revised Code 5705.10. Finally, the Village was in violation of 9.38 ORC.

5. Property Tax

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

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

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

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

6. Local Income Tax

The Village levies a municipal income tax of 1.5 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.

7. Debt

Debt outstanding at December 31, 2006 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|--------------------|----------------------|
| General Obligation Bonds--Municipal Complex | \$1,720,000 | 4.83% |
| General Obligation Bonds--French Creek Industrial Park | \$2,315,000 | 4.06% |
| Ohio Water Development Authority Loan | \$166,759 | 4.16% |
| Ohio Public Water Commission Loans | \$257,967 | 0.00% |
| Special Assessment Bonds | <u>\$1,429,000</u> | various |
| Total | <u>\$5,888,726</u> | |

General obligation bonds were issued to pay costs of renovating, remodeling, adding to, furnishing, equipping, and otherwise improving the Village's Municipal Complex and its site. The remaining principal balance on these bonds as of December 31, 2006 is \$1,720,000. These bonds are collateralized by the Village's taxing authority.

In 2005, the Village issued general obligation bonds in the amount of \$2,325,000 pay costs of constructing new public roadways with sanitary sewer, water, and storm sewer lines in the French Creek Industrial Park. The remaining principal balance on these bonds as of December 31, 2006 is \$2,315,000. These bonds are collateralized by the Village's taxing authority.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,411,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$52,974, including interest, over 20 years. The scheduled payment amount below assumes that \$1,411,000 will be borrowed. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relate to road and sewer rehabilitation projects.

The Special Assessments Bonds are payable from proceeds of tax assessments against individual property owners.

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

7. Debt (Continued)

| Year ending December 31: | General Obligation | | | Special Assessment |
|--------------------------|-----------------------|------------------|------------------|-----------------------|
| | Bonds | OWDA Loan | OPWC Loans | Bonds |
| 2007 | \$269,878 | \$21,430 | \$19,663 | \$212,988 |
| 2008 | 356,753 | 21,430 | 19,663 | 220,109 |
| 2009 | 355,783 | 21,430 | 19,663 | 211,276 |
| 2010 | 354,503 | 21,430 | 19,663 | 212,446 |
| 2011 | 352,733 | 21,430 | 19,663 | 221,711 |
| 2012 - 2016 | 1,746,533 | 96,436 | 79,953 | 705,918 |
| 2017 - 2021 | 1,738,375 | | 60,970 | 183,732 |
| 2022 - 2025 | 900,388 | | 18,729 | |
| Total | <u>\$6,074,946</u> | <u>\$203,586</u> | <u>\$257,967</u> | <u>\$1,968,180</u> |

8. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Employee dishonesty (Clerk-Treasurer's bond)

There have been no significant changes in insurance coverage from the prior year.

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

9. Risk Management (Continued)

Risk Pool Membership (Continued)

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005:

| | <u>2006</u> | <u>2005</u> |
|---------------------|--------------------|----------------------|
| Assets | \$2,331,284 | \$ 2,241,661 |
| Liabilities | <u>(3,130,475)</u> | <u>(3,457,720)</u> |
| Accumulated deficit | <u>(\$799,191)</u> | <u>(\$1,216,059)</u> |

10. Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

11. Related Party Transactions

There were no significant related party transactions during the audit period.

12. Subsequent Events

On August 28, 2007, the Village settled a lawsuit (*Sheffield Lake v. Sheffield Village et al., Lorain County Court of Common Pleas, Case No. 05CV144173*) with the City of Sheffield Lake (the "City"). The case was initially filed on November 16, 2005. The case arose out of a dispute over the division of municipal income taxes generated from an assembly plant whose square footage rests within both the Village (70%) and the City (30%). The Village paid the amount of \$58,000 to the City while the going-forward distribution of income tax revenues from the plant was resolved at 82%-18% in favor of the Village. The Village's legal counsel estimates that the Village's annual revenue from this arrangement will increase by approximately \$300,000 per year as a result of the increased percentage of income tax revenue to the Village.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

12. Subsequent Events (Continued)

On July 9, 2007, the Village passed Ordinance 2100, which provides for the issuance and sale of \$589,000 of notes, in anticipation of the issuance of bonds, to pay costs of acquiring real estate or interests therein required for extension and improvement of Village streets. The notes will mature one year from the date of issuance and will bear interest at a rate not to exceed 6% per year.



Mary Taylor, CPA

Auditor of State

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

Village of Sheffield
Lorain County
4340 Colorado Avenue
Sheffield Village, Ohio 44054

To the Village Council:

We have audited the financial statements of the Village of Sheffield, Lorain County, Ohio (the Village) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated March 21, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2006-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated March 21, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-002 and 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 21, 2008.

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

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



Mary Taylor, CPA
Auditor of State

March 21, 2008

VILLAGE OF SHEFFIELD
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005

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

| | |
|-----------------------|-----------------|
| Finding Number | 2006—001 |
|-----------------------|-----------------|

**Material Weakness
Financial Reporting**

Sound financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Financial reports and revenue and expense ledgers should be reviewed to ensure they accurately reflect the financial activity of the Village.

As the result of our audit, we noted the following errors which required audit adjustments:

- Income tax collections were posted to various funds that had negative cash balances on an as-needed basis during the audit period, which is contrary to the Village's income tax ordinances. Income Tax Ordinance #491, which provides for the collection of a 1% income tax, states in part, "the funds collected under the provisions of this Ordinance shall be disbursed in the following manner: (1) first, such part thereof as shall be necessary to defray all expenses of collecting the tax and of administering and enforcing the provisions of this Ordinance shall be paid, (2) the balance remaining after payment of the expenses referred to in paragraph one above shall be deposited in the General Fund, 50% of which shall be used for capital improvements. Any funds not immediately needed shall be invested in interest-bearing investments as permitted by law." The Village increased the income tax rate by 0.5% in 2002. Per Village Ordinance #1859, "the 0.50 percent increased income tax revenue received by the Village...shall be paid into the General Account according to the following formula: 100% into a special account of the General Account to be used solely for the fire, police, and service departments for the purposes of wages, manpower, and equipment. Such payment shall be made permanently, without time limitation."

We interpret these income tax ordinances to mean all income tax revenue collected should be credited to the General Fund of the Village. During fiscal year 2005, the Village posted \$240,948 of income tax revenue to various special revenue funds, a capital projects fund, and a debt service fund, contrary to the Village's income tax ordinances. During fiscal year 2006, the Village posted \$332,288 of income tax revenue to various special revenue funds and a capital projects fund. The manner in which income tax revenue was posted during these years appears to contradict the manner in which income tax revenue should be posted per the Village's income tax ordinances. As a result, audit adjustments were made to both years' financial statements and accounting records to correct the effect of these mispostings.

- Property tax revenue was overstated in the General Fund by \$15,994 in fiscal year 2005 and by \$173,529 in fiscal year 2006 as a result of monies received as part of the Village's TIF agreement being classified as "property taxes" rather than "payments in lieu of taxes."
- Miscellaneous revenue was overstated in the Park Fund (Fund 204) by \$31,700 in fiscal year 2005 and by \$17,600 in fiscal year 2006 for monies received by the Village for park fees collected for green space development which should have been recorded as "fines, licenses, and permits" revenue.
- Expenditures for "security of persons and property" were overstated by \$28,744 in fiscal year 2005 and by \$29,377 in fiscal year 2006 in the Mayor's Court Computer Fund (Fund 214) for wage and benefit expenditures that should not have been charged, per AOS Bulletin 2005-003. Audit adjustments were made to the financial statements and accounting records to charge these expenditures to the General Fund as "security of persons and property" expenditures.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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|-----------------------|-----------------|
| Finding Number | 2006—001 |
|-----------------------|-----------------|

**Material Weakness (Continued)
Financial Reporting (Continued)**

- Capital outlay expenditures were overstated by \$5,167,149 in fiscal year 2005 in various special revenue funds, capital project funds, enterprise funds, and debt service funds as a result of debt principal and interest payments being classified as “capital outlay” rather than “redemption of principal” and “interest and fiscal charges.”
- Capital outlay expenditures were overstated by \$524,063 in fiscal year 2006 in various special revenue funds, capital project funds, enterprise funds, and debt service funds as a result of debt principal and interest payments being classified as “capital outlay” rather than “redemption of principal” and “interest and fiscal charges.”
- Revenue of \$2,331,054 received in fiscal year 2005 was improperly recorded as note proceeds when it should have been recorded as bond proceeds in the Capital Projects Fund (Fund 401).

We considered each of the above adjustments to be material to the financial statements, and audit adjustments were made accordingly.

The following adjustments were not deemed material, either individually or in the aggregate; however, the Village agreed to the adjustments and the financial statements and accounting records were adjusted accordingly:

- Intergovernmental revenue was overstated by \$1,520 in the General Fund in fiscal year 2006 for amounts that should have been posted to the SMCR Fund (Fund 201) and the Highway Fund (Fund 202).
- Income tax revenue was overstated by \$1,862 in the General Fund in fiscal year 2005 for amounts that should have been posted to the SMCR Fund (Fund 201) and the Highway Fund (Fund 202) as intergovernmental revenue.
- Miscellaneous revenue was overstated by \$37,309 in the General Fund in fiscal year 2005 for a federal fire grant that should have been posted to intergovernmental revenue.
- Property tax revenue was overstated by \$1,910 in the General Fund in fiscal year 2005 for personal property tax reimbursements that should have been posted to intergovernmental revenue.
- Charges for services revenue related to rescue fees was understated by \$13,314 in the General Fund in fiscal year 2005 because revenues were posted at net of the related expenditure. As a result, the related expenditure line item (“general government”) was understated by \$13,314 also.
- Miscellaneous revenue was overstated by \$7,000 in the General Fund in fiscal year 2006 for an EMS grant that should have been posted to intergovernmental revenue.
- Property tax revenue was overstated by \$29,591 in the General Fund in fiscal year 2006 for personal property tax reimbursements that should have been posted to intergovernmental revenue.

VILLAGE OF SHEFFIELD
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)

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

| Finding Number | 2006—001 |
|----------------|----------|
|----------------|----------|

Material Weakness (Continued)

Financial Reporting (Continued)

- Charges for services revenue related to rescue fees was understated by \$15,038 in the General Fund in fiscal year 2006 because revenues were posted at net of the related expenditure. As a result, the related expenditure line item ("general government") was understated by \$15,038 also.
- Charges for services revenue was overstated by \$16,220 in the Enterprise Fund in fiscal year 2006 for deposit receipts that should have been recorded in an Agency Fund.
- Charges for services revenue was understated by \$64,266 in the Enterprise Fund for a negative receipt that should have been recorded as an expense. Escrow refund expenditures were understated by \$32,133 in the Agency Fund in fiscal year 2005 for expenditures incorrectly posted to the Enterprise Fund. Because of these errors, the beginning fund balance for the Enterprise Fund had to be decreased by \$32,133, and the beginning fund balance for the Agency Fund had to be increased by \$32,133.

We recommend the Village take steps to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend monthly financial reports and revenue and expense ledgers be reviewed timely to ensure these types of posting errors do not occur.

Officials' Response:

The Sheffield Village council and administration, although do not disagree with the reason for the audit adjustments, is concerned that many of the audit adjustments referred to above misstate the balances of the General Fund, Special Revenue Funds, Capital Project Fund and Debt Service Funds to the readers of the financial statements.

In order to insure the information provided is clearly understood, it is important to note that through a differing interpretation of the current audit staff, from that of prior audit staff's, large balances have been moved out of various funds back into the General Fund. These audit adjustments were due to improper procedures used to post revenue directly into the various funds instead of posting the revenue into the General Fund and then transferring the revenue into the various other funds.

Through discussions with the current audit staff, the Sheffield Village administration does agree with the current interpretations being made however, it is our opinion that the audit adjustments misstate these fund balances providing the readers of the financial statements with an unclear picture of the financial condition of the Village.

As a result of this audit and the adjustments made, the Village Council, via ordinance 2132, passed on 4/14/08, has moved this revenue back to the funds which they were originally receipted into. The fund balances will not clearly represent the intent of the Sheffield Village council and administration until fiscal year 2008.

VILLAGE OF SHEFFIELD
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)

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

| Finding Number | 2006—002 |
|----------------|----------|
|----------------|----------|

Material Noncompliance

Timely Deposit of Public Funds

Ohio Revised Code Section 9.38 provides that any public official, other than a state officer, employee, or agent, who receives public monies shall deposit said monies with the Treasurer or with a properly designated depository on the next business day following the day of receipt, if the total received exceeds one thousand dollars. If the total amount of the public money received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

During our revenue testing, we noted the following receipts which were not deposited into the designated depository in accordance with the aforementioned provisions:

- Property tax receipts—6 out of 8 receipts tested (75%)
- Special assessments receipts—3 out of 4 receipts tested (75%)
- Fines, licenses, and permits receipts—51 out of 60 receipts tested (85%)
- Rescue fee receipts—8 out of 16 receipts tested (50%)
- Intergovernmental receipts—46 out of 76 receipts tested (61%)
- Utility delinquency receipts from the County Auditor—3 out of 4 receipts tested (75%)
- Utilities receipts—60 out of 85 receipts tested (71%). One of these instances involved a receipt that was not deposited for over a month because the bank deposit bag was left in a desk and was not deposited until discovered. The total amount of this receipt was \$7,340.
- Mayor's Court—52 out of 54 receipts tested (96%)

We recommend the Village take the necessary steps to comply with the aforementioned Ohio Revised Code section, specifically, that all deposits be made in a timely manner. We recommend all Village departments either deposit monies collected with the Clerk-Treasurer or its local depository on the next business day following the day of receipt or the Village adopt a policy requiring all monies collected to be deposited with the Clerk-Treasurer or properly designated depository within three business days following the day of receipt, if the total amount of such monies is less than \$1,000. Additionally, such a policy must include procedures to safeguard the monies until the time of deposit.

Officials' Response:

We did not receive a response from Officials to this finding.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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|-----------------------|-----------------|
| Finding Number | 2006—003 |
|-----------------------|-----------------|

Material Noncompliance

Negative Cash Fund Balances

Ohio Revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During the following months of the audit period, the Village experienced the following negative cash fund ranges:

| Fund | Range of Negative Balance | For Months Including: |
|------------------------------------|---------------------------|---|
| 101 General Fund | \$15,833 | May 2005 |
| 203 Cemetery Fund | \$190—\$12,221 | January 2005 February 2005 April through August 2005 November 2005 January through May 2006 July through October 2006 |
| 214 Mayor's Court Computer Fund | \$755—\$7,748 | January 2005 February 2005 April through August 2005 November 2005 January through May 2006 July through November 2006 |
| 401 Capital Projects Fund | \$3,300—\$109,545 | January 2005 February 2005 January through November 2006 |
| 804 French Creek Debt Service Fund | \$297 | May through July 2005 |

These negative cash fund balances were corrected by year end.

In addition, as a result of audit adjustments, the Village carried negative cash fund balances in the Capital Projects Fund at December 31, 2006 and December 31, 2005 in the amounts of \$497,170 and \$207,361, respectively.

We recommend the Village utilize cash advances to these funds or other appropriate measures to ensure that negative cash fund balances do not exist throughout the year. Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions.

Officials' Response:

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHEFFIELD

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
MAY 6, 2008**