



**Auditor of State
Betty Montgomery**

VILLAGE OF SHEFFIELD
LORAIN COUNTY

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**Auditor of State
Betty Montgomery**

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 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

January 10, 2006

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**Auditor of State
Betty Montgomery**

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 the Village of Sheffield, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2004 and December 31, 2003. 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.

Revisions to GAAP would require the Village 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 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village 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 Village of Sheffield, Lorain County, Ohio, as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds 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 reserves for encumbrances of the Village of Sheffield, Lorain County, Ohio, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 2, the Village restated the beginning fund cash balances of the General Fund.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 January 10, 2006, 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.



Betty Montgomery
Auditor of State

January 10, 2006

**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, 2004**

	<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 Tax and Other Local Taxes	\$521,216	\$0	\$0	\$0	\$521,216
Municipal Income Taxes	1,875,837	4,574	3,897	286,880	2,171,188
Special Assessments	0	0	214,526	0	214,526
Intergovernmental Receipts	251,132	213,316	0	92,647	557,095
Charges for Services	149,586	2,700	0	0	152,286
Fines, Licenses, and Permits	535,287	38,693	0	0	573,980
Earnings on Investments	10,655	0	0	0	10,655
Miscellaneous	81,740	5,548	0	0	87,288
Total Cash Receipts	3,425,453	264,831	218,423	379,527	4,288,234
Cash Disbursements:					
Current:					
Security of Persons and Property	2,523,323	44,822	0	0	2,568,145
Public Health Services	0	10,107	0	0	10,107
Leisure Time Activities	0	10,724	0	0	10,724
Basic Utility Services	0	51,525	0	0	51,525
Transportation	0	196,307	0	0	196,307
General Government	689,204	0	8,279	0	697,483
Debt Service:					
Principal Payments	0	0	115,942	2,609,981	2,725,923
Interest Payments	0	0	119,583	130,043	249,626
Capital Outlay	288,268	10,560	0	149,287	448,115
Total Cash Disbursements	3,500,795	324,045	243,804	2,889,311	6,957,955
Total Receipts Under Disbursements	(75,342)	(59,214)	(25,381)	(2,509,784)	(2,669,721)
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes	0	0	0	2,325,000	2,325,000
Transfers-In	5,540	42,500	0	0	48,040
Transfers-Out	(62,500)	(5,540)	0	0	(68,040)
Other Financing Sources/Uses	(118,955)	0	0	36,038	(82,917)
Total Other Financing Receipts/(Disbursements)	(175,915)	36,960	0	2,361,038	2,222,083
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements					
	(251,257)	(22,254)	(25,381)	(148,746)	(447,638)
Fund Cash Balances, January 1, 2004	529,853	230,331	140,168	148,746	1,049,098
Fund Cash Balances, December 31, 2004	\$278,596	\$208,077	\$114,787	\$0	\$601,460

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,094,856	\$0	\$1,094,856
Miscellaneous	4,042	0	4,042
Mayor's Court	0	459,156	459,156
Total Operating Cash Receipts	<u>1,098,898</u>	<u>459,156</u>	<u>1,558,054</u>
Operating Cash Disbursements:			
Personal Services	315,752	0	315,752
Fringe Benefits	114	0	114
Contractual Services	610,117	0	610,117
Supplies and Materials	41,022	0	41,022
Capital Outlay	57,815	0	57,815
Mayor's Court	0	468,787	468,787
Total Operating Cash Disbursements	<u>1,024,820</u>	<u>468,787</u>	<u>1,493,607</u>
Operating Income	<u>74,078</u>	<u>(9,631)</u>	<u>64,447</u>
Non-Operating Cash Receipts:			
Interest	0	6	6
Transfers-In	20,000	0	20,000
Total Non-Operating Cash Receipts	<u>20,000</u>	<u>6</u>	<u>20,006</u>
Net Receipts Over/(Under) Disbursements	94,078	(9,625)	84,453
Fund Cash Balances, January 1, 2004	<u>692,864</u>	<u>47,515</u>	<u>740,379</u>
Fund Cash Balances, December 31, 2004	<u><u>\$786,942</u></u>	<u><u>\$37,890</u></u>	<u><u>\$824,832</u></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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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 Tax and Other Local Taxes	\$453,044	\$0	\$0	\$0	\$453,044
Municipal Income Taxes	2,128,271	10,029	0	291,497	2,429,797
Special Assessments	0	0	230,372	0	230,372
Intergovernmental Receipts	186,228	255,158	0	0	441,386
Charges for Services	174,276	1,450	0	0	175,726
Fines, Licenses, and Permits	590,439	49,844	0	0	640,283
Earnings on Investments	7,511	0	0	0	7,511
Miscellaneous	51,810	5,884	0	0	57,694
Total Cash Receipts	3,591,579	322,365	230,372	291,497	4,435,813
Cash Disbursements:					
Current:					
Security of Persons and Property	2,146,200	52,497	0	0	2,198,697
Public Health Services	0	11,056	0	0	11,056
Leisure Time Activities	0	15,695	0	0	15,695
Basic Utility Services	0	53,119	0	0	53,119
Transportation	0	183,634	0	0	183,634
General Government	703,101	0	4,665	0	707,766
Debt Service:					
Principal Payments	0	0	110,420	3,004,981	3,115,401
Interest Payments	0	0	126,366	150,835	277,201
Capital Outlay	303,048	47,072	0	30,514	380,634
Total Cash Disbursements	3,152,349	363,073	241,451	3,186,330	6,943,203
Total Receipts Over/(Under) Disbursements	439,230	(40,708)	(11,079)	(2,894,833)	(2,507,390)
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes	0	0	0	2,525,000	2,525,000
Transfers-In	0	39,500	0	0	39,500
Transfers-Out	(57,500)	0	0	0	(57,500)
Other Financing Sources/Uses	(95,704)	0	0	54,500	(41,204)
Total Other Financing Receipts/(Disbursements)	(153,204)	39,500	0	2,579,500	2,465,796
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	286,026	(1,208)	(11,079)	(315,333)	(41,594)
Fund Cash Balances, January 1, 2003 (Restated)	243,827	231,539	151,247	464,079	1,090,692
Fund Cash Balances, December 31, 2003	\$529,853	\$230,331	\$140,168	\$148,746	\$1,049,098

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,019,388	\$0	\$1,019,388
Miscellaneous	1,335	151	\$1,486
Mayor's Court	0	462,983	462,983
	<u>1,020,723</u>	<u>463,134</u>	<u>1,483,857</u>
Operating Cash Disbursements:			
Personal Services	296,691	0	296,691
Fringe Benefits	77	0	77
Contractual Services	556,636	0	556,636
Supplies and Materials	45,837	0	45,837
Capital Outlay	2,864	0	2,864
Mayor's Court	0	453,852	453,852
	<u>902,105</u>	<u>453,852</u>	<u>1,355,957</u>
Operating Income	<u>118,618</u>	<u>9,282</u>	<u>127,900</u>
Non-Operating Cash Receipts:			
Interest	0	13	13
Transfers-In	18,000	0	18,000
	<u>18,000</u>	<u>13</u>	<u>18,013</u>
Net Receipts Over Disbursements	136,618	9,295	145,913
Fund Cash Balances, January 1, 2003	<u>556,246</u>	<u>38,220</u>	<u>594,466</u>
Fund Cash Balances, December 31, 2003	<u>\$692,864</u>	<u>\$47,515</u>	<u>\$740,379</u>

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, 2004 AND 2003**

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 governs 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. Basis of Accounting

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. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit and repurchase agreements at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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 Fund

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 sewer 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.

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:

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

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

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 (Trust and Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. 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 and appropriations may not exceed estimated resources. 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.

3. Encumbrances

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2004 budgetary activity appears in Note 4.

VILLAGE OF SHEFFIELD
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 FUND BALANCE

The beginning cash fund balance of the General Fund was restated. This restatement decreased the fund balance at January 1, 2003 by \$69,957, from \$313,784 to \$243,827.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool for 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:

	2004	2003
Demand deposits	\$1,081,005	\$1,183,033
Total deposits	1,081,005	1,183,033
Sweep repurchase agreement	345,287	606,444
Total investments	345,287	606,444
Total deposits and investments	\$1,426,292	\$1,789,477

Deposits: Deposits are either 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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,417,806	\$3,430,993	\$13,187
Special Revenue	297,830	307,331	9,501
Debt Service	218,423	218,423	0
Capital Projects	2,766,550	2,740,565	(25,985)
Enterprise	1,113,000	1,118,898	5,898
Total	\$7,813,609	\$7,816,210	\$2,601

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,757,117	\$3,682,250	\$74,867
Special Revenue	363,222	329,585	33,637
Debt Service	243,804	243,804	0
Capital Projects	2,915,296	2,889,311	25,985
Enterprise	1,095,620	1,024,820	70,800
Total	\$8,375,059	\$8,169,770	\$205,289

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,648,255	\$3,591,579	(\$56,676)
Special Revenue	381,830	361,865	(19,965)
Debt Service	264,508	230,372	(34,136)
Capital Projects	2,870,996	2,870,997	1
Enterprise	983,595	1,038,723	55,128
Total	\$8,149,184	\$8,093,536	(\$55,648)

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,575,834	\$3,305,553	\$270,281
Special Revenue	434,036	363,073	70,963
Debt Service	264,508	241,451	23,057
Capital Projects	3,335,076	3,186,330	148,746
Enterprise	997,888	902,105	95,783
Total	\$8,607,342	\$7,998,512	\$608,830

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$1,865,000	2.75%
General Obligation Notes	2,325,000	1.35%
OWDA Loans	194,829	4.16%
OPWC Loans	198,965	0.00%
Special Assessment Bonds	1,660,000	various
Total	<u>\$6,243,794</u>	

The General Obligation Bonds are collateralized by the Village's taxing authority. This bond was issued to pay costs of renovating, remodeling, adding to, furnishing, equipping, and otherwise improving the Village's Municipal Complex and its site.

The General Obligation Note was issued in anticipation of the issuance of bonds to pay costs of constructing new public roadways with sanitary sewer, water, and storm sewer lines in the French Creek Industrial Park.

The Ohio Water Development Authority (OWDA) loan relates to a 1979 wastewater treatment plant construction project.

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, follows:

<u>Year ending, December 31:</u>	<u>General Obligation Bonds</u>	<u>General Obligation Notes</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Special Assessment Bonds</u>
2005	\$158,980	\$2,325,000	\$21,430	\$14,981	\$217,498
2006	161,775	0	21,430	14,981	210,243
2007	159,225	0	21,430	14,981	212,988
2008	161,450	0	21,430	14,981	220,108
2009	158,330	0	21,430	14,981	211,277
Subsequent	2,069,140	0	117,865	124,060	1,329,766
Total	<u>\$2,868,900</u>	<u>\$2,325,000</u>	<u>\$225,015</u>	<u>\$198,965</u>	<u>\$2,401,880</u>

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Employee Dishonesty

Risk Pool Membership

The Government 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.

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.

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, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors 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 to disclose.

12. SUBSEQUENT EVENTS

On January 20, 2005, the Village reissued \$2,325,000 of notes in anticipation of the issuance of bonds, to pay costs of constructing new public roadways east of East River Road and north of State Route 254, together with sanitary sewer, water and storm sewer lines. On July 1, 2005, the Village issued bonds in the amount of \$2,325,000 to retire the bond anticipation notes discussed above.

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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***

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, 2004 and December 31, 2003, and have issued our report thereon dated January 10, 2006, 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. In addition, the Village restated the beginning fund cash balances of the General Fund. 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 to determine our auditing procedures to express our opinion 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 Village's management dated January 10, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated January 10, 2006 we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Village of Sheffield
Lorain County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and Village Council. 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

January 10, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
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800-282-0370

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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
MARCH 21, 2006**