



**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002



**Auditor of State
Betty Montgomery**

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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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 accompanying financial statements of Sheffield Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

April 15, 2004

**SHEFFIELD TOWNSHIP
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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$54,919	\$350,651	\$0	\$405,570
Intergovernmental	106,485	164,098	\$107,412	377,995
Licenses, Permits, and Fees	31,462	0	0	31,462
Earnings on Investments	4,797	1,811	0	6,608
Other Revenue	28,082	6,151	0	34,233
	<u>225,745</u>	<u>522,711</u>	<u>107,412</u>	<u>855,868</u>
Total Cash Receipts				
	225,745	522,711	107,412	855,868
Cash Disbursements:				
Current:				
General Government	152,214	0	0	152,214
Public Safety	253	67,489	0	67,742
Public Works	66,701	216,768	0	283,469
Health	7,585	0	0	7,585
Conservation - Recreation	0	49,910	0	49,910
Miscellaneous	17,254	0	0	17,254
Debt Service:				
Redemption of Principal	0	27,629	0	27,629
Interest and Fiscal Charges	0	2,570	0	2,570
Capital Outlay	21,276	32,032	107,412	160,720
	<u>265,283</u>	<u>396,398</u>	<u>107,412</u>	<u>769,093</u>
Total Cash Disbursements				
	265,283	396,398	107,412	769,093
Total Receipts Over/(Under) Disbursements	<u>(39,538)</u>	<u>126,313</u>	<u>0</u>	<u>86,775</u>
Fund Cash Balances, January 1	<u>175,277</u>	<u>513,390</u>	<u>0</u>	<u>688,667</u>
Fund Cash Balances, December 31	<u><u>\$135,739</u></u>	<u><u>\$639,703</u></u>	<u><u>\$0</u></u>	<u><u>\$775,442</u></u>

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

**SHEFFIELD TOWNSHIP
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, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$53,057	\$335,653	\$0	\$388,710
Intergovernmental	119,473	155,809	\$39,647	314,929
Licenses, Permits, and Fees	37,762	0	0	37,762
Earnings on Investments	4,840	2,457	0	7,297
Other Revenue	18,827	23,799	0	42,626
	<u>233,959</u>	<u>517,718</u>	<u>39,647</u>	<u>791,324</u>
Cash Disbursements:				
Current:				
General Government	145,353	0	0	145,353
Public Safety	257	125,943	0	126,200
Public Works	59,045	171,868	0	230,913
Health	7,589	0	0	7,589
Conservation - Recreation	0	49,910	0	49,910
Miscellaneous	13,566	0	0	13,566
Debt Service:				
Redemption of Principal	0	27,112	0	27,112
Interest and Fiscal Charges	0	4,135	0	4,135
Capital Outlay	6,919	139,843	39,647	186,409
	<u>232,729</u>	<u>518,811</u>	<u>39,647</u>	<u>791,187</u>
Total Receipts Over/(Under) Disbursements	<u>1,230</u>	<u>(1,093)</u>	<u>0</u>	<u>137</u>
Fund Cash Balances, January 1	<u>174,047</u>	<u>514,483</u>	<u>0</u>	<u>688,530</u>
Fund Cash Balances, December 31	<u>\$175,277</u>	<u>\$513,390</u>	<u>\$0</u>	<u>\$688,667</u>

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

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Sheffield Township, Lorain County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services including road and bridge maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These 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.

C. Cash and Investments

Investments are included in fund cash balances. 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 disbursements, respectively.

The investment in STAR Ohio (The State of Ohio Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. 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.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

Road District Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads.

Fire Equipment Fund - This fund receives property tax money for the purchase, maintenance, and operation of Township fire equipment.

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II Fund – This fund accounts for Issue II grants received from the State of Ohio for Township road projects.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$464,632	\$381,276
STAR Ohio	310,810	307,391
Total deposits and investments	\$775,442	\$688,667

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$277,152	\$225,745	(\$51,407)
Special Revenue	504,136	522,711	18,575
Capital Projects	0	107,412	107,412
Total	\$781,288	\$855,868	\$74,580

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,000	\$265,283	(\$5,283)
Special Revenue	437,000	396,398	40,602
Capital Projects	0	107,412	(107,412)
Total	<u>\$697,000</u>	<u>\$769,093</u>	<u>(\$72,093)</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$332,239	\$233,959	(\$98,280)
Special Revenue	482,643	517,718	35,075
Capital Projects	0	39,647	39,647
Total	<u>\$814,882</u>	<u>\$791,324</u>	<u>(\$23,558)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$273,858	\$232,729	\$41,129
Special Revenue	497,192	518,811	(21,619)
Capital Projects	0	39,647	(39,647)
Total	<u>\$771,050</u>	<u>\$791,187</u>	<u>(\$20,137)</u>

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority at the fund level, which is the legal level of budgetary control for the Township, for various Special Revenue Funds and the Capital Projects Fund at December 31, 2002, and the General Fund and Capital Projects Fund at December 31, 2003.

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify the availability and encumber funds prior to making any contract or ordering any expenditure of money during the audit period.

Contrary to Ohio Rev. Code Section 5705.09, the Township did not establish a fund nor did they account for the Issue II Program Grants during the audit period. Additionally, the Township did not budget for these revenues paid on behalf of the Township.

Contrary to Ohio Rev. Code Section 507.04, the Township did not account for a separate checking account maintained by the Township Fire Department during the audit period. The financial statements have been adjusted to properly reflect this activity.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 Township.

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 Township.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ambulance Acquisition Bonds - 2000	\$17,200	5.64%
Lease Obligation - Back-Hoe	78	6.00%
Total	\$17,278	

The general obligation bonds were issued to finance the purchase of a new ambulance in 2000 to be used for Township's Fire and EMS Department. The bonds are collateralized solely by the Township's taxing authority. The lease obligation relates to the purchase of a back-hoe tractor to be used by the Township road maintenance.

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

	Lease obligation	General Obligation Bonds
Year ending December 31: 2004	\$78	\$18,170

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEM

Township employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Township 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 governments 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 claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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 government.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

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, 2002 and 2001 (latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Sheffield Township
Lorain County
5166 Clinton Avenue
Lorain, Ohio 44055

To the Board of Trustees:

We have audited the accompanying financial statements of Sheffield Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated April 15, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-006 through 2003-007.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by 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

April 15, 2004

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Finding for Recovery

During the 2003 year, the Township Clerk incorrectly calculated the amount of his compensation for his duties as Township Clerk by \$252.00 in error.

In accordance with the forgoing facts, and pursuant to the Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Angelo Marotta, Township Clerk, and his bonding company, the Ohio Township Association Risk Management Authority (OTARMA), jointly and severally, in the amount of two hundred and fifty two dollars (\$252.00), and in favor of the Township General Fund.

The full amount of the finding (\$252.00) was repaid on March 31, 2004, by Angelo Marotta.

Finding Number	2003-002
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Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time he is completing his certification a sufficient sum was appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than \$1,000 which was increased to \$3,000 as of April 7, 2003, the fiscal officer may authorize it to be paid without the affirmation of the Board upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

During the audit period, 100% of the expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Township should certify the availability of funds prior to incurring the obligation for expenditures. The Township should also implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

Finding Number	2003-003
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Noncompliance Citation

Ohio Rev. Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenue derived from a source other than general property tax, which the law requires to be used for a particular purpose. During 2003 and 2002, the Township did not record Issue 2 grant monies and subsequent expenditures from the Ohio Public Works Commission totaling \$107,412 and \$39,647, respectively. As a result, actual receipts and expenditures were initially understated. The financial statements have been adjusted to reflect these receipts and expenditures. In addition, a sufficient amount was not budgeted for both receipts and expenditures related to the Issue 2 fund.

The Township should record Issue 2 monies as a receipt and expenditure. The Township Clerk should also include the budgeted amounts on the certificate of estimated resources and annual appropriations resolution. This will help ensure receipts and expenditures are not misstated. The Township Clerk should refer to Auditor of State Bulletin 2002-004 for further guidance.

Finding Number	2003-004
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Noncompliance Citation

Ohio Rev. Code Sections 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. The following funds had expenditures exceeding appropriations at the fund level on December 31, 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund :	\$ 260,000	\$ 265,283	(\$5,283)
Special Revenue Fund Type:			
Gasoline Tax Fund	\$ 49,000	\$ 51,961	\$ (2,961)
Fire Department Fund	72,000	93,425	(21,425)
Motor Vehicle License Tax Fund	6,000	7,409	(1,409)
Capital Projects Fund:	0	107,412	(107,412)

The following funds had expenditures exceeding appropriations at the fund level on December 31, 2002:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Special Revenue Fund Type:			
Road Improvement Fund	\$115,000	\$159,828	(\$44,828)
Ambulance Fund	25,000	45,422	(20,422)
Capital Projects Fund:	\$ 0	\$ 39,647	(\$ 39,647)

This weakness could allow expenditures plus encumbrances in the above funds to exceed the total of the available fund balance. The Township should monitor their budget on a monthly basis to ensure that expenditures plus encumbrances are within established appropriations and to make appropriation modifications, if necessary.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

Finding Number	2003-005
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Noncompliance Citation

Ohio Rev. Code Section 507.04 requires the Township Clerk to maintain an accurate record of all Township accounts and transactions. The Township Fire Department maintained a separate checking account for receipts generated from fund raisers and for the payroll disbursements related to the Township's fire personnel. The Township did not account for this activity on the Township's financial records. Because this activity was not properly reflected on the Township's financial records, the Board did not formally review or approve any financial information regarding this account other than to approve the payroll amount for fire personnel.

In addition, Ohio Rev. Code Section 507.11(B) requires two trustees to approve payments from all Township accounts, to be countersigned by the Clerk. The Township should also budget estimated receipts and appropriate amounts paid from this account under Chapter 5705, Ohio Rev. Code. Following the above Revised Code Sections will reduce the likelihood of misappropriation of Township assets.

We recommend the Board include this separate checking account as part of the Township funds for operation of the Township. This information should be included in, but not be limited to, the monthly cash reconciliation, budget to actual statements, and receipt/expenditure/fund balance reports. This will increase the Trustees' awareness of all finance related activity and facilitate their decision making process. The financial statements have been adjusted to properly account for receipts and expenditures of the separate checking account that occurred during the audit period.

Finding Number	2003-006
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Policy and Procedure Manual

The Board of Trustees has not adopted a formal policies and procedures manual, which includes items such as a Township organizational chart, formal policy for hiring personnel, written job descriptions for all Township employees, sick and vacation leave policies, accounting procedures narratives (receipts/expenditures), related party policies, etc. The lack of a formal policy and procedures manual creates an undefined system of accounting and reporting which could lead to a lack of segregation of duties, errors not being detected in a timely manner, incorrect interpretations of the Township's rules and practices.

The Township Board of Trustees should establish and adopt an all-inclusive policies and procedures manual. This will help ensure a defined system of accounting and reporting exists.

Finding Number	2003-007
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Financial Monitoring

During the audit period, the Clerk did not prepare monthly financial reports for the Trustees to review and approve. The Trustees did not formally review or approve any financial information on a monthly basis.

This does not allow the Trustees to be up to date on the financial activity of the Township and restricts their monitoring abilities over the Clerk and the Township's finances. Not reviewing and approving the bank reconciliations or monthly reports demonstrates a lack of fiscal monitoring by the Board of Trustees. Unrecognized errors resulting in misstatements of the Township's records could occur and not be timely detected as a result of not monitoring the bank reconciliations and monthly reports.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

Finding Number	2003-007
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**Financial Monitoring
(Continued)**

We recommend the Trustees request monthly financial reports and formally recognize in the minutes the acceptance of monthly reports they receive from the Clerk. Reports should include but not be limited to the monthly cash reconciliation, budget to actual statements, and receipt/expenditure/fund balance reports. These reports should reflect all activity of the Township. This will increase the Trustees' awareness of all finance related activity and facilitate their decision making process.

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40847-001	5705.41(D) Failure of clerk to certify availability of funds.	No	Not corrected. Reissued as 2003-002
2001-40847-002	5705.09 (F) Requires a special fund be created for each class of revenues which the law requires to be used for a particular purpose.	No	Not corrected. Reissued as 2003-003
2001-40847-003	5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.	No	Not corrected. Reissued as 2003-004



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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
MAY 20, 2004**