

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
Regular Audit  
For the Years Ended December 31, 2012 and 2011**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Village Council  
Village of Sheffield  
4820 Detroit Road  
Sheffield Village, Ohio 44035

We have reviewed the *Independent Auditor's Report* of the Village of Sheffield, Lorain County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 12, 2013

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**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

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VILLAGE OF SHEFFIELD  
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# **Perry & Associates**

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E. Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

## **INDEPENDENT AUDITOR'S REPORT**

June 27, 2013

Village of Sheffield  
Lorain County  
4820 Detroit Road  
Sheffield Village, Ohio 44035

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Sheffield**, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2C describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sheffield, Lorain County, Ohio, as of December 31, 2012 and 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2C.

### **Accounting Basis**

We draw attention to Note 2C of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

### **Emphasis of Matter**

As discussed in Note 3 to the 2011 financial statements, during 2011, the Village has elected to change its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We did not modify our opinion regarding this matter.

As discussed in Note 3 to the 2011 financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

As described in Note 3 to the 2012 financial statements, during 2012, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Supplemental and Other Information*

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities, business-type activities and long-term debt. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report June 27, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

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VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED

This discussion and analysis of the Village of Sheffield, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Financial Highlights**

Key highlights for 2012 are as follows

Net position of governmental activities decreased \$ 72,502 or 5.7 percent over 2011. This was primarily the result of a decrease of \$ 106,023 in the General Fund and an increase of \$ 25,762 in the Capital Projects Fund.

The Village's general receipts are primarily municipal income taxes, note proceeds, property and other local taxes and intergovernmental revenue. These receipts represent respectively 48.8 percent, 10.7 percent, 7.6 percent, and 17.2 percent of the total cash received for governmental activities during the year.

Net position of business-type activities increased \$ 38,759 from 2011. Net position decreased in the Water Fund by \$ 26,922 and increased in the Sewer Fund and Storm Water Fund by \$ 7,375 and \$ 58,306 respectively.

**Using the Basic Financial Statements**

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

**Report Components**

The Statement of Net Position and the Statement of Activities provide information about the cash activities of the Village as a whole.

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

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

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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**Basis of Accounting**

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

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

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The Statement of Net Position presents the equity in pooled cash of the governmental and business-type activities of the Village at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the Statement of Net Position and the Statement of Activities, we divide the Village into two types of activities:

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

Business-type activity - The Village has several business-type activities; including the provision of water, sewer, and storm water. Business-type activities are financed by a fee charged to the customers receiving the services.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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**Fund Financial Statements**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that restricted money is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Proprietary Funds** – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's significant proprietary funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major proprietary funds are the Water Fund, Sewer Fund, and Storm Water Sewer.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's agency fund is the Mayor's Court Fund.

**The Village as a Whole**

Table 1 provides a summary of the Village's net position for 2012 compared to 2011 on a cash basis.

**Table 1**  
Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Equity in pooled cash	\$ 1,194,835	\$ 1,267,337	\$ 1,271,109	\$ 1,232,350	\$ 2,465,944	\$ 2,499,687
Total assets	<u>\$ 1,194,835</u>	<u>\$ 1,267,337</u>	<u>\$ 1,271,109</u>	<u>\$ 2,993,746</u>	<u>\$ 2,465,944</u>	<u>\$ 2,499,687</u>
Net position						
Restricted for:						
Capital projects	\$ 30,488	\$ 4,726	\$ -	\$ -	\$ 30,488	\$ 4,726
Debt service	93,401	106,078	-	-	93,401	106,078
Other purposes	92,959	84,999	-	-	92,959	84,999
Unrestricted	977,987	1,071,534	1,271,109	1,232,350	2,249,096	2,303,884
Total net position	<u>\$ 1,194,835</u>	<u>\$ 1,267,337</u>	<u>\$ 1,271,109</u>	<u>\$ 1,232,350</u>	<u>\$ 2,465,944</u>	<u>\$ 2,499,687</u>

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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As mentioned previously, net position of governmental activities decreased \$ 72,502 or 5.7 percent during 2012.

Table 2 reflects the changes in net position in 2012 compared to 2011 on a cash basis

**Table 2**  
**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Receipts						
Program receipts						
Charges for services	\$ 764,498	\$ 793,780	\$ 1,424,028	\$ 1,304,668	\$ 2,188,526	\$ 2,098,448
Operating grants and contributions	9,666	5,390	-	-	9,666	5,390
Capital grants and contributions	590,129	602,410	9,350	10,400	599,479	612,810
Total program receipts	<u>1,364,293</u>	<u>1,401,580</u>	<u>1,433,378</u>	<u>1,315,068</u>	<u>2,797,671</u>	<u>2,716,648</u>
General receipts						
Property and other local taxes	552,130	562,760	-	-	552,130	562,760
Payments in lieu of taxes	204,617	50,937	-	-	204,617	50,937
Municipal income taxes	3,536,867	3,440,037	-	-	3,536,867	3,440,037
Grants and entitlements	810,977	444,927	-	-	810,977	444,927
Notes issued	775,000	750,000	-	-	775,000	750,000
Interest	578	580	-	-	578	580
Other	7,203	6,290	-	1,538	7,203	7,828
Total general receipts	<u>5,887,372</u>	<u>5,255,531</u>	<u>-</u>	<u>1,538</u>	<u>5,887,372</u>	<u>5,257,069</u>
Total receipts	<u>7,251,665</u>	<u>6,657,111</u>	<u>1,433,378</u>	<u>1,316,606</u>	<u>8,685,043</u>	<u>7,973,717</u>

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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**Table 2**  
**Change in Net Position**  
(Continued)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program cash disbursements						
Security of persons and property	\$ 2,908,999	\$ 2,712,782	\$ -	\$ -	\$ 2,908,999	\$ 2,712,782
Leisure time activities	38,857	16,120	-	-	38,857	16,120
Community environment	8,335	5,976	-	-	8,335	5,976
Basic utility services	59,111	65,508	-	-	59,111	65,508
Transportation	294,557	260,498	-	-	294,557	260,498
General government	1,022,736	893,503	-	-	1,022,736	893,503
Capital outlay	1,678,206	929,707	-	-	1,678,206	929,707
Principal	1,099,365	1,118,640	-	-	1,099,365	1,118,640
Interest and fiscal charges	214,001	233,454	-	-	214,001	233,454
Water	-	-	582,409	494,728	582,409	494,728
Sewer	-	-	597,757	413,085	597,757	413,085
Storm water sewer	-	-	214,453	185,952	214,453	185,952
Total program disbursements	<u>7,324,167</u>	<u>6,236,188</u>	<u>1,394,619</u>	<u>1,093,765</u>	<u>8,718,786</u>	<u>7,329,953</u>
Increase (decrease) in net assets	(72,502)	420,923	38,759	222,841	(33,743)	643,764
Net position, at beginning of year	<u>1,267,337</u>	<u>846,414</u>	<u>1,232,350</u>	<u>1,009,509</u>	<u>2,499,687</u>	<u>1,855,923</u>
Net position, at end of year	<u>\$ 1,194,835</u>	<u>\$ 1,267,337</u>	<u>\$ 1,271,109</u>	<u>\$ 1,232,350</u>	<u>\$ 2,465,944</u>	<u>\$ 2,499,687</u>

**Governmental Activities**

Program receipts represent 18.8 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 81.2 percent of the Village's total receipts of governmental activities, and of this amount, 69.5 percent are property and municipal income taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the clerk-treasurer and income tax departments, as well as internal services such as payroll and purchasing.

Security of persons and property are the costs of police protection; public health services is the health department; leisure time activities are the costs of maintaining the parks and playing fields; the economic development department promotes the village to industry and commerce as well as working with other governments in the area to attract new business; and transportation is the cost of maintaining the roads.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, principal payments, capital outlay, and general government which account for 39.7 percent, 15.0 percent, 22.9 percent and 14.0 percent, of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
Governmental Activities

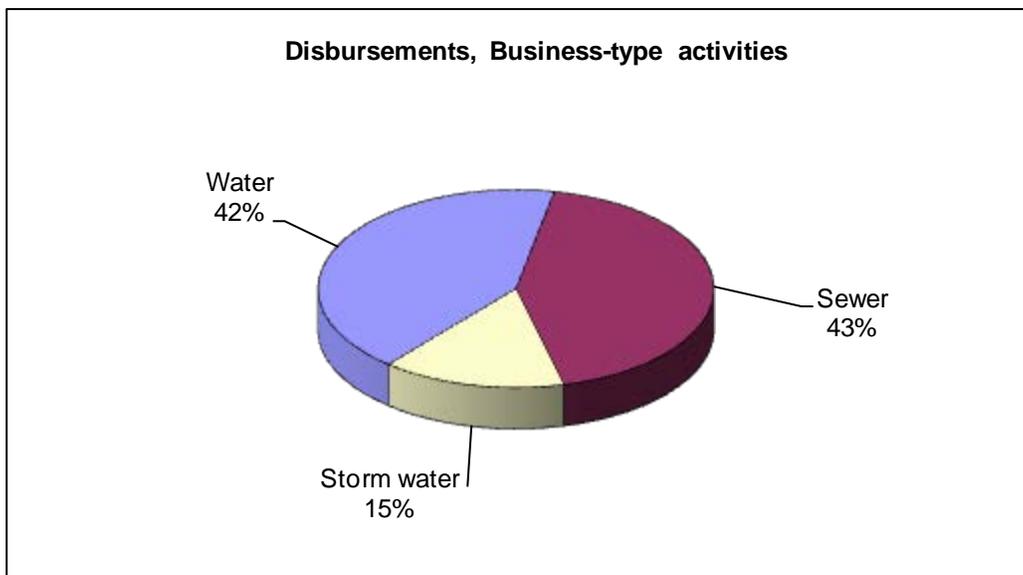
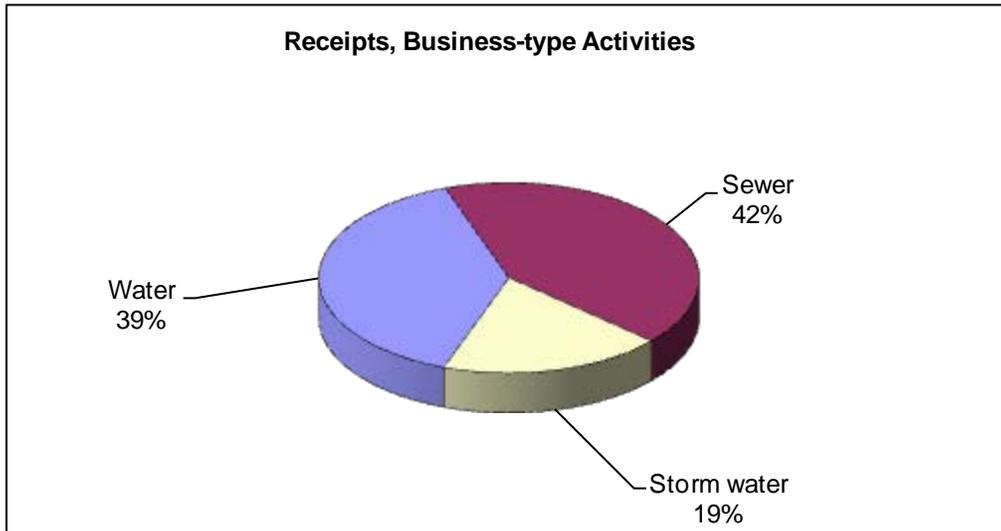
	Total Cost of Services	Net Cost of Services
Governmental activities		
Security of persons and property	\$ 2,908,999	\$ (2,412,123)
Leisure time activities	38,857	(35,857)
Community environment	8,335	(4,035)
Basic utility services	59,111	(59,111)
Transportation	294,557	(294,557)
General government	1,022,736	(746,541)
Capital outlay	1,678,206	(1,250,063)
Principal	1,099,365	(991,005)
Interest and fiscal charges	214,001	(166,582)
Total governmental activities	\$ 7,324,167	\$ (5,959,874)

The dependence upon property and income tax receipts is apparent as 59.2 percent of governmental activities are supported through these general receipts.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED

**Business-type Activities**

The primary source of receipts for the business-type activities is charges for services, which was 99.2 percent of total receipts.



VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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**The Village's Funds**

Total governmental funds had revenues of \$ 6,476,665, disbursements of \$ 7,324,167 and other financing sources of \$ 775,000. The greatest changes within governmental funds occurred within the General Fund, which decreased \$ 106,023.

**General Fund Budgeting Highlights**

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

During 2012, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 109,563 higher than original budgeted receipts. Actual receipts were greater than final budgeted amount by \$ 75,561.

Final disbursements, including transfers out were budgeted at \$ 5,147,956 which was \$ 294,915 higher than original appropriations. Actual disbursements, including transfers out were \$ 37,090 less than the final budgeted amount.

**Capital Assets**

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

**Debt**

Outstanding long-term debt obligations of the Village consisted of:

	Governmental Activities		Business- type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds						
General obligation	\$ 3,030,000	\$ 3,220,000	\$ -	\$ -	\$ 3,030,000	\$ 3,220,000
Special assessment	335,000	375,000	276,000	344,000	611,000	719,000
OWDA loan	-	-	69,129	87,120	69,129	87,120
OPWC loan	1,787	5,161	271,783	294,116	273,570	299,277
Note payable	240,000	270,000	-	-	240,000	270,000
	<u>\$ 3,606,787</u>	<u>\$ 3,870,161</u>	<u>\$ 616,912</u>	<u>\$ 725,236</u>	<u>\$ 4,223,699</u>	<u>\$ 4,595,397</u>

The OWDA loan relates to sewer projects. The special assessment bonds are for street, waterline and sewer improvements. OPWC loans financed waterline improvements and replacements. For further information regarding the Village's debt, refer to Note 13 to the basic financial statements.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED

**Current Issues**

In November 2012, the voters approved a five year levy which will generate \$ 295,000 additional annual revenue to fund capital improvements for vehicles and equipment for the Fire Department. These expenditures normally were funded by the General Fund. The first full collection year will be in 2013.

The Village has been in discussion to attempt to provide sewers to the northern area of the Village in order to attract development and also to provide sewers to a new \$ 31,000,000 school building. Construction of the new school began in 2013, with an expected 2015 completion date. The two year construction of the school will generate substantial new income tax revenue.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Timothy J. Pelcic, Clerk-Treasurer, Village of Sheffield, 4820 Detroit Road, Sheffield, Ohio 44035.

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VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
STATEMENT OF NET POSITION – CASH BASIS  
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 1,194,835	\$ 1,271,109	\$ 2,465,944
Total assets	<u>\$ 1,194,835</u>	<u>\$ 1,271,109</u>	<u>\$ 2,465,944</u>
Net position			
Restricted for:			
Capital projects	\$ 30,488	\$ -	\$ 30,488
Debt service	93,401	-	93,401
Highways and streets	33,763	-	33,763
Security of persons and property	55,395	-	55,395
Other	3,801	-	3,801
Unrestricted	977,987	1,271,109	2,249,096
Total net position	<u>\$ 1,194,835</u>	<u>\$ 1,271,109</u>	<u>\$ 2,465,944</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 2,908,999	\$ 487,501	\$ 9,375	\$ -
Leisure time activities	38,857	3,000	-	-
Community environment	8,335	4,300	-	-
Basic utility services	59,111	-	-	-
Transportation	294,557	-	-	-
General government	1,022,736	269,697	291	6,207
Capital outlay	1,678,206	-	-	428,143
Principal	1,099,365	-	-	108,360
Interest and fiscal charges	214,001	-	-	47,419
Total governmental activities	<u>7,324,167</u>	<u>764,498</u>	<u>9,666</u>	<u>590,129</u>
Business-type activities				
Water	582,409	550,187	-	5,300
Sewer	597,757	601,082	-	4,050
Storm water sewer	214,453	272,759	-	-
Total business-type activities	<u>1,394,619</u>	<u>1,424,028</u>	<u>-</u>	<u>9,350</u>
Total	<u>\$ 8,718,786</u>	<u>\$ 2,188,526</u>	<u>\$ 9,666</u>	<u>\$ 599,479</u>

General receipts

Property taxes levied for:

  General purposes

  Payments in lieu of taxes

  Municipal income taxes

  Grants and entitlements not restricted to specific programs

  Notes issued

  Interest

  Other

Total general receipts

Change in net assets

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,412,123)	\$ -	\$ (2,412,123)
(35,857)	-	(35,857)
(4,035)	-	(4,035)
(59,111)	-	(59,111)
(294,557)	-	(294,557)
(746,541)	-	(746,541)
(1,250,063)	-	(1,250,063)
(991,005)	-	(991,005)
(166,582)	-	(166,582)
<u>(5,959,874)</u>	<u>-</u>	<u>(5,959,874)</u>
-	(26,922)	(26,922)
-	7,375	7,375
-	58,306	58,306
-	38,759	38,759
<u>(5,959,874)</u>	<u>38,759</u>	<u>(5,921,115)</u>
552,130	-	552,130
204,617	-	204,617
3,536,867	-	3,536,867
810,977	-	810,977
775,000	-	775,000
578	-	578
7,203	-	7,203
<u>5,887,372</u>	<u>-</u>	<u>5,887,372</u>
(72,502)	38,759	(33,743)
<u>1,267,337</u>	<u>1,232,350</u>	<u>2,499,687</u>
<u>\$ 1,194,835</u>	<u>\$ 1,271,109</u>	<u>\$ 2,465,944</u>

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS  
GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 977,987	\$ 30,488	\$ 186,360	\$ 1,194,835
Total assets	<u>\$ 977,987</u>	<u>\$ 30,488</u>	<u>\$ 186,360</u>	<u>\$ 1,194,835</u>
Fund balances				
Restricted	\$ 12,482	\$ 30,488	\$ 186,360	\$ 229,330
Assigned	287	-	-	287
Unassigned	965,218	-	-	965,218
Total fund balances	<u>\$ 977,987</u>	<u>\$ 30,488</u>	<u>\$ 186,360</u>	<u>\$ 1,194,835</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –  
CASH BASIS - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and other taxes	\$ 552,130	\$ -	\$ -	\$ 552,130
Payments in lieu of taxes	-	-	204,617	204,617
Municipal income tax	3,536,867	-	-	3,536,867
Intergovernmental	167,593	846,278	234,915	1,248,786
Special assessments	-	-	161,986	161,986
Charges for services	110,110	-	4,300	114,410
Fines, licenses and permits	553,131	-	14,606	567,737
Interest	576	-	2	578
Miscellaneous	88,729	825	-	89,554
<b>Total revenues</b>	<u>5,009,136</u>	<u>847,103</u>	<u>620,426</u>	<u>6,476,665</u>
<b>Expenditures</b>				
<b>Current</b>				
Security of persons and property	2,894,394	-	14,605	2,908,999
Leisure time activities	38,857	-	-	38,857
Community environment	-	-	8,335	8,335
Basic utility services	59,111	-	-	59,111
Transportation	-	-	294,557	294,557
General government	1,013,561	-	9,175	1,022,736
Capital outlay	208,089	1,178,549	291,568	1,678,206
Debt service				
Principal	-	970,000	129,365	1,099,365
Interest and fiscal charges	-	166,582	47,419	214,001
<b>Total disbursements</b>	<u>4,214,012</u>	<u>2,315,131</u>	<u>795,024</u>	<u>7,324,167</u>
Excess of receipts over (under) disbursements	<u>795,124</u>	<u>(1,468,028)</u>	<u>(174,598)</u>	<u>(847,502)</u>
<b>Other financing sources (uses)</b>				
Notes issued	-	775,000	-	775,000
Transfers-in	-	718,790	182,357	901,147
Transfers-out	(901,147)	-	-	(901,147)
<b>Total other financing sources (uses)</b>	<u>(901,147)</u>	<u>1,493,790</u>	<u>182,357</u>	<u>775,000</u>
Net change in fund balances	(106,023)	25,762	7,759	(72,502)
Fund balances at beginning of year	<u>1,084,010</u>	<u>4,726</u>	<u>178,601</u>	<u>1,267,337</u>
Fund balances at end of year	<u>\$ 977,987</u>	<u>\$ 30,488</u>	<u>\$ 186,360</u>	<u>\$ 1,194,835</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – BUDGET BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Property and other taxes	\$ 607,772	\$ 607,772	\$ 552,130	\$ (55,642)
Municipal income tax	3,400,000	3,400,000	3,536,867	136,867
Intergovernmental	124,552	234,115	167,593	(66,522)
Charges for services	126,993	126,993	110,110	(16,883)
Fines, licenses and permits	485,458	485,458	553,131	67,673
Interest	677	677	576	(101)
Miscellaneous	75,560	75,560	85,729	10,169
Total revenues	<u>4,821,012</u>	<u>4,930,575</u>	<u>5,006,136</u>	<u>75,561</u>
Expenditures				
Current				
Security of persons and property	2,850,472	2,850,472	2,894,394	(43,922)
General government	1,093,051	1,093,052	1,013,561	79,491
Capital outlay	418,461	418,463	206,397	212,066
Total disbursements	<u>4,361,984</u>	<u>4,361,987</u>	<u>4,114,352</u>	<u>247,635</u>
Excess of receipts over (under) disbursements	<u>459,028</u>	<u>568,588</u>	<u>891,784</u>	<u>323,196</u>
Other financing sources (uses)				
Transfers-out	<u>(491,057)</u>	<u>(785,969)</u>	<u>(996,514)</u>	<u>(210,545)</u>
Total other financing sources (uses)	<u>(491,057)</u>	<u>(785,969)</u>	<u>(996,514)</u>	<u>(210,545)</u>
Net change in fund balances	(32,029)	(217,381)	(104,730)	112,651
Prior year encumbrances appropriated	-	-	-	-
Fund balances at beginning of year	<u>1,082,430</u>	<u>1,082,430</u>	<u>1,082,430</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,050,401</u>	<u>\$ 865,049</u>	<u>\$ 977,700</u>	<u>\$ 112,651</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF FUND NET POSITION – CASH BASIS  
PROPRIETARY FUNDS

DECEMBER 31, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total Enterprise Funds</u>
Assets				
Equity in pooled cash	\$ 289,207	\$ 575,657	\$ 406,245	\$ 1,271,109
Total assets	<u>\$ 289,207</u>	<u>\$ 575,657</u>	<u>\$ 406,245</u>	<u>\$ 1,271,109</u>
Net position				
Unrestricted	\$ 289,207	\$ 575,657	\$ 406,245	\$ 1,271,109
Total net position	<u>\$ 289,207</u>	<u>\$ 575,657</u>	<u>\$ 406,245</u>	<u>\$ 1,271,109</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET POSITION –  
CASH BASIS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Water	Sewer	Storm Water	Total Enterprise Funds
Operating receipts				
Charges for services	\$ 546,682	\$ 601,082	\$ 272,759	\$ 1,420,523
Miscellaneous	3,505	-	-	3,505
Total operating receipts	<u>550,187</u>	<u>601,082</u>	<u>272,759</u>	<u>1,424,028</u>
Operating disbursements				
Personal services	228,903	117,231	131,604	477,738
Contractual services	240,617	431,631	3,872	676,120
Materials and supplies	60,223	20,816	50,298	131,337
Total operating disbursements	<u>529,743</u>	<u>569,678</u>	<u>185,774</u>	<u>1,285,195</u>
Operating income (loss)	<u>20,444</u>	<u>31,404</u>	<u>86,985</u>	<u>138,833</u>
Non-operating receipts/disbursements				
Capital outlay	(30,933)	(28,079)	(28,079)	(87,091)
Principal paid	(21,733)	-	(600)	(22,333)
Total non-operating receipts/disbursements	<u>(52,666)</u>	<u>(28,079)</u>	<u>(28,679)</u>	<u>(109,424)</u>
Income (loss) before contributions	(32,222)	3,325	58,306	29,409
Capital contributions - tap fees	<u>5,300</u>	<u>4,050</u>	<u>-</u>	<u>9,350</u>
Change in net position	(26,922)	7,375	58,306	38,759
Net position at beginning of year	<u>316,129</u>	<u>568,282</u>	<u>347,939</u>	<u>1,232,350</u>
Net position at end of year	<u>\$ 289,207</u>	<u>\$ 575,657</u>	<u>\$ 406,245</u>	<u>\$ 1,271,109</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
STATEMENT OF FIDUCIARY NET POSITION – CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2012

	Agency
Assets	
Equity in pooled cash	\$ 40,664
Total assets	40,664
Net position	
Unrestricted	40,664
Total net position	\$ 40,664

See accompanying notes to the basic financial statements.

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VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 1 - REPORTING ENTITY**

The Village of Sheffield (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member council elected for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

**Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Sheffield provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer and refuse collection. Council has direct responsibility for these services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, an unincorporated non-profit association available to municipal corporations and their instrumentalities. See Note 9.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

**A. BASIS OF PRESENTATION**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

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

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. FUND ACCOUNTING

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Projects Fund - The Capital Projects Fund accounts for and reports for the proceeds of general obligation debt and other grants or aid which are restricted to acquiring or constructing major capital projects, except those financed through enterprise funds.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds. The Village has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Storm Water Fund - The Storm Water Fund accounts for the provision of safe and efficient capture of storm and water runoff.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations.

The Village's agency fund is the Mayor's Court Agency Fund which accounts for fines court costs and fees that are held pending distribution in accordance with statutory specifications or as directed by the court.

C. BASIS OF ACCOUNTING

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

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

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, personnel costs, and other costs level for all funds.

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

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

E. CASH AND INVESTMENTS

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves and debt service are reported as "Cash with Fiscal Agents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 was \$ 576 which includes \$ 341 assigned from other Village funds.

F. RESTRICTED ASSETS

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. LONG-TERM OBLIGATIONS

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid

M. NET POSITION

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government wide statement of net position for governmental activities includes restricted net position of \$ 216,848, none of which is restricted by enabling legislation.

N. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2012, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The implementation of GASB Statement No 62 did not have an effect on the financial statements of the Village.

For fiscal year 2012, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No 63 did not have an effect on the financial statements of the Village.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund.

	<u>General Fund</u>
Budget basis	\$ (104,730)
Adjustments, increase (decrease)	
Funds budgeted elsewhere **	<u>(1,293)</u>
Cash basis, as reported	<u><u>\$ (106,023)</u></u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Park Operating Fund and the Solid Waste Fund.

NOTE 5 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances				
Restricted for:				
Unclaimed funds	\$ 12,482	\$ -	\$ -	\$ 12,482
Security of persons and property	-	-	55,395	55,395
Highways and streets	-	-	33,763	33,763
Capital projects	-	30,488	-	30,488
Debt service	-	-	93,401	93,401
Other	-	-	3,801	3,801
	<u>12,482</u>	<u>30,488</u>	<u>186,360</u>	<u>229,330</u>
Assigned to:				
Other	287	-	-	287
	<u>287</u>	<u>-</u>	<u>-</u>	<u>287</u>
Unassigned	965,218	-	-	965,218
Total fund balances	<u><u>\$ 977,987</u></u>	<u><u>\$ 30,488</u></u>	<u><u>\$ 186,360</u></u>	<u><u>\$ 1,194,835</u></u>

VILLAGE OF SHEFFIELD, OHIO  
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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 2,506,608 and the bank balance was \$ 2,530,536. Of the bank balance \$ 730,466 was covered by Federal depository insurance and \$ 1,800,070 was uninsured. Of the remaining balance, \$ 1,800,070 was collateralized with securities held by the pledging institution's trust department, not in the Village's name.

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

NOTE 7 - INCOME TAXES

The Village levies a municipal income tax of 2 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.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

VILLAGE OF SHEFFIELD, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - PROPERTY TAXES (continued)

The full tax rate for all Village operations for the year ended December 31, 2012, was \$ 3.60 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

	2012 Collection Year
Property valuation consisted of:	
Real property	\$ 164,719,750
Public utility property	4,105,820
Total valuation	\$ 168,825,570

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

NOTE 9 - RISK MANAGEMENT

The Village has obtained commercial insurance for Employee dishonesty (Clerk Treasurer's Bond). There have been no significant changes in insurance coverage from the prior year.

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 Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2012, the Pool's retention levels are \$100,000 and \$175,000 for property and casualty coverage, respectively. The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements. 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 March 31, 2012 and 2011:

	2012	2011
Assets	\$ 1,097,683	\$ 1,696,445
Liabilities	(791,222)	(1,403,959)
Accumulated surplus	\$ 306,461	\$ 292,486

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NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan—a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2012 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 11.5% and 12.1%, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.0% and 12.6% respectively.

The 2012 employer contribution rate for state and local employers was 14.0 percent of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010, were \$ 119,376, \$ 111,269, and \$ 95,211, respectively. For 2012, \$ 104,134 (87.2%) has been contributed. The balance was subsequently contributed in 2013. The full amount has been contributed for 2012 and 2011.

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NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters.

The Village's contributions to OP&F for police and firefighters pensions, respectively, were \$ 79,591 and \$ 131,282 for the year ended December 31, 2012 and \$ 77,001 and \$ 131,468 for the year ended December 31, 2011, and \$ 67,092 and \$ 158,382 for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. For 2012, \$ 54,491 (68.5%) and \$ 95,506 (72.7%) has been contributed for police and firefighters pensions, respectively. The balance was subsequently paid in 2013.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800- 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

VILLAGE OF SHEFFIELD, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employer units contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to fund postemployment benefits for the years ended December 31, 2012, 2011, and 2010, were \$ 41,651, \$ 44,505, and \$ 54,215, respectively. For 2012, \$ 41,651 (87.2%) has been contributed. The balance was subsequently contributed in 2013. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

VILLAGE OF SHEFFIELD, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's actual contributions to fund postemployment health care benefits for police and firefighters were \$ 42,136 and \$ 51,371 for the year ended December 31, 2012, \$ 40,765 and \$ 51,444 for the year ended December 31, 2011, and \$ 35,519 and \$ 61,975 for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. For 2012, \$ 28,848 (68.5%) and \$ 37,372 (72.7%) has been contributed for police and firefighters, respectively. The balance was subsequently paid in 2013.

NOTE 12 - NOTES PAYABLE

Notes payable during the year consisted of the following general obligation bond anticipation notes:

	Outstanding 12/31/2011	Additions	Reductions	Outstanding 12/31/2012	Due in One Year
Governmental activities					
Street improvements					
2011, 1.50%	\$ 750,000	\$ -	\$ 750,000	\$ -	\$ -
2012, .948%	-	775,000	-	775,000	775,000
	<u>\$ 750,000</u>	<u>\$ 775,000</u>	<u>\$ 750,000</u>	<u>\$ 775,000</u>	<u>\$ 775,000</u>

VILLAGE OF SHEFFIELD, OHIO  
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NOTE 13 - DEBT

The changes in the Village's long-term debt during 2012 were as follows:

	Beg. Bal. 12/31/2011	Additions	Payments	End. Bal. 12/31/2012	Due w/in 1 Year
<u>Governmental activities</u>					
General obligation bonds					
Municipal complex improvements (2002)					
Varying % through 2022	\$ 1,310,000	\$ -	\$ 90,000	\$ 1,220,000	\$ 95,000
Street improvement (2005)					
Varying % through 2025	1,910,000	-	100,000	1,810,000	110,000
Total general obligation bonds	<u>3,220,000</u>	<u>-</u>	<u>190,000</u>	<u>3,030,000</u>	<u>205,000</u>
Special assessment bonds					
with governmental commitment					
Various purpose (1999)					
Varying % through 2019	375,000	-	40,000	335,000	40,000
Total special assessment bonds	<u>375,000</u>	<u>-</u>	<u>40,000</u>	<u>335,000</u>	<u>40,000</u>
Ohio Public Works Commission (OPWC)					
Road resurfacing (1998)					
0% through 2013	3,242	-	3,242	-	-
Road resurfacing (2007)					
0% through 2026	1,919	-	132	1,787	132
Total OPWC loans	<u>5,161</u>	<u>-</u>	<u>3,374</u>	<u>1,787</u>	<u>132</u>
County engineer loan payable	<u>270,000</u>	<u>-</u>	<u>30,000</u>	<u>240,000</u>	<u>30,000</u>
Total governmental activities	<u>\$ 3,870,161</u>	<u>\$ -</u>	<u>\$ 263,374</u>	<u>\$ 3,606,787</u>	<u>\$ 275,132</u>

VILLAGE OF SHEFFIELD, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 – DEBT (continued)

	Beg. Bal. 12/31/2011	Additions	Payments	End. Bal. 12/31/2012	Due w/in 1 Year
<u>Business-type activities</u>					
Special assessment bonds with governmental commitment					
Sewer improvements (1994) 6.750% through 2015	\$ 130,000	\$ -	\$ 30,000	\$ 100,000	\$ 30,000
Sewer improvements (1996) various % through 2016	195,000	-	35,000	160,000	35,000
Waterline improvements (1997) various % through 2017	19,000	-	3,000	16,000	3,000
Total special assessment bonds	<u>344,000</u>	<u>-</u>	<u>68,000</u>	<u>276,000</u>	<u>68,000</u>
Ohio Public Works Commission (OPWC)					
Water Main Replacement, Phase I (1999) 0% through 2019	17,288	-	2,305	14,983	2,305
Water Main Replacement, Phase II (1999) 0% through 2019	28,125	-	3,750	24,375	3,750
Water Main Replacement, Phase (2002) 0% through 2022	44,840	-	4,484	40,356	4,484
Water Line Replacement (2010) 0% through 2030	65,553	-	4,682	60,871	4,682
Water Line Replacement (2006) 0% through 2026	88,559	-	4,787	83,772	4,787
Water Line Replacement (2010) 0% through 2040	49,151	-	1,725	47,426	1,725
Culvert replacement (2002) 0% through 2012	600	-	600	-	-
Total OPWC loans	<u>294,116</u>	<u>-</u>	<u>22,333</u>	<u>271,783</u>	<u>21,733</u>
Ohio Water Development Authority (OWDA)					
Sanitary sewer refinancing (1997) 4.160% through 2016	87,120	-	17,991	69,129	18,747
Total OWDA	<u>87,120</u>	<u>-</u>	<u>17,991</u>	<u>69,129</u>	<u>18,747</u>
Total business-type activities	<u>\$ 725,236</u>	<u>\$ -</u>	<u>\$ 108,324</u>	<u>\$ 616,912</u>	<u>\$ 108,480</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

VILLAGE OF SHEFFIELD, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 – DEBT (continued)

All general obligation bonds are supported by the full faith and credit of The Village of Sheffield and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

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

Year	Governmental Activities			
	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 205,000	\$ 148,002	\$ 40,000	\$ 20,100
2014	210,000	138,928	40,000	17,700
2015	220,000	129,578	45,000	15,300
2016	230,000	119,662	50,000	12,600
2017	245,000	106,712	50,000	9,600
2018 - 2022	1,405,000	308,510	110,000	9,900
2023 - 2027	515,000	44,412	-	-
	<u>\$ 3,030,000</u>	<u>\$ 995,804</u>	<u>\$ 335,000</u>	<u>\$ 85,200</u>

Year	Governmental Activities			
	OPWC loans	County Engineer	Total	
	Principal	Principal	Principal	Interest
2013	\$ 132	\$ 30,000	\$ 275,132	\$ 168,102
2014	132	30,000	280,132	156,628
2015	132	30,000	295,132	144,878
2016	132	30,000	310,132	132,262
2017	132	30,000	325,132	116,312
2018 - 2022	662	90,000	1,605,662	318,410
2023 - 2027	465	-	515,465	44,412
	<u>\$ 1,787</u>	<u>\$ 240,000</u>	<u>\$ 3,606,787</u>	<u>\$ 1,081,004</u>

VILLAGE OF SHEFFIELD, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 – DEBT (continued)

Year	Business-type Activities			
	Special Assessment Bonds		OWDA loans	
	Principal	Interest	Principal	Interest
2013	\$ 68,000	\$ 17,198	\$ 18,747	\$ 2,683
2014	78,000	12,916	19,536	1,895
2015	78,000	8,000	20,357	1,074
2016	48,000	3,084	10,489	226
2017	4,000	232	-	-
2018 - 2022	-	-	-	-
2023 - 2027	-	-	-	-
2028 - 2032	-	-	-	-
2033 - 2037	-	-	-	-
2038 - 2042	-	-	-	-
	<u>\$ 276,000</u>	<u>\$ 41,430</u>	<u>\$ 69,129</u>	<u>\$ 5,878</u>

Year	Business-type Activities		
	OPWC loans	Total	
	Principal	Principal	Interest
2013	\$ 21,733	\$ 108,480	\$ 19,881
2014	21,733	119,269	14,811
2015	21,733	120,090	9,074
2016	21,733	80,222	3,310
2017	21,733	25,733	232
2018 - 2022	82,988	82,988	-
2023 - 2027	46,605	46,605	-
2028 - 2032	20,591	20,591	-
2033 - 2037	8,623	8,623	-
2038 - 2042	4,311	4,311	-
	<u>\$ 271,783</u>	<u>\$ 616,912</u>	<u>\$ 47,308</u>

NOTE 14 - INTERFUND TRANSFERS

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The General Fund transfers to the Capital Projects Fund and to other non-major governmental funds were made to provide additional resources for capital improvements and current operations.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$ 146,338 to pay lease costs for the year ended December 31, 2012. Future lease payments are as follows:

<u>Year End</u>	<u>Total</u>
2013	\$ 110,035
2014	103,718
2015	103,718
2016	76,751
2017	27,727
2018	<u>27,727</u>
	<u>\$ 449,676</u>

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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This discussion and analysis of the Village of Sheffield, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Financial Highlights**

Key highlights for 2011 are as follows

Net assets of governmental activities increased \$ 420,923 or 49.7 percent over 2010. This was the result of an increase of \$ 424,197 in the General Fund and decreases in the Capital Projects Fund and Other Governmental Funds of \$ 2,544 and \$ 730, respectively.

The Village's general receipts are primarily municipal income taxes, note proceeds, property and other local taxes and intergovernmental revenue. These receipts represent respectively 51.7 percent, 11.3 percent, 8.5 percent and 11.9 percent of the total cash received for governmental activities during the year.

Net assets of business-type activities increased \$ 222,841 from 2010. Net assets increased in the Water Fund, Sewer Fund and Storm Water Fund by \$ 12,340, \$ 137,614 and \$ 72,887 respectively.

**Using the Basic Financial Statements**

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

**Report Components**

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Village as a whole.

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

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

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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**Basis of Accounting**

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

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

**Government-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the equity in pooled cash of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the Statement of Net Assets and the Statement of Activities, we divide the Village into two types of activities:

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

Business-type activity - The Village has several business-type activities; including the provision of water, sewer, and storm water. Business-type activities are financed by a fee charged to the customers receiving the services.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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**Fund Financial Statements**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that restricted money is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Proprietary Funds** – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's significant proprietary funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major proprietary funds are the Water Fund, Sewer Fund, and Storm Water Fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's agency fund is the Mayor's Court Fund.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2011 on a cash basis. Since the Village did not prepare financial statements in this format for 2010, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 1**  
Net Assets

	Governmental Activities <hr/> 2011	Business-type Activities <hr/> 2011	Total <hr/> 2011
<b>Assets</b>			
Equity in pooled cash	\$ 1,267,337	\$ 1,232,350	\$ 2,499,687
Total assets	<hr/> \$ 1,267,337	<hr/> \$ 1,232,350	<hr/> \$ 2,499,687
<b>Net assets</b>			
Restricted for:			
Capital projects	\$ 4,726	\$ -	\$ 4,726
Debt service	106,078	-	106,078
Other purposes	84,999	-	84,999
Unrestricted	<hr/> 1,071,534	<hr/> 1,232,350	<hr/> 2,303,884
Total net assets	<hr/> \$ 1,267,337	<hr/> \$ 1,232,350	<hr/> \$ 2,499,687

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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As mentioned previously, net assets of governmental activities increased \$ 420,923 or 49.7 percent during 2011.

Table 2 reflects the changes in net assets in 2011 on a cash basis. Since the Village did not prepare financial statements in this format for 2010, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 2**  
**Change in Net Assets**

	Governmental Activities	Business-type Activities	Total
	2011	2011	2011
<b>Receipts</b>			
Program receipts			
Charges for services	\$ 793,780	\$ 1,304,668	\$ 2,098,448
Operating grants and contributions	5,390	-	5,390
Capital grants and contributions	602,410	10,400	612,810
Total program receipts	<u>1,401,580</u>	<u>1,315,068</u>	<u>2,716,648</u>
General receipts			
Property and other local taxes	562,760	-	562,760
Payment in lieu of taxes	50,937	-	50,937
Municipal income taxes	3,440,037	-	3,440,037
Grants and entitlements	444,927	-	444,927
Notes issued	750,000	-	750,000
Interest	580	-	580
Other	6,290	1,538	7,828
Total general receipts	<u>5,255,531</u>	<u>1,538</u>	<u>5,257,069</u>
Total receipts	<u>6,657,111</u>	<u>1,316,606</u>	<u>7,973,717</u>

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED

**Table 2**  
**Change in Net Assets**  
(Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	<u>2011</u>	<u>2011</u>	<u>2011</u>
Program cash disbursements			
Security of persons and property	\$ 2,712,782	\$ -	\$ 2,712,782
Leisure time activities	16,120	-	16,120
Community environment	5,976	-	5,976
Basic utility services	65,508	-	65,508
Transportation	260,498	-	260,498
General government	893,503	-	893,503
Capital outlay	929,707	-	929,707
Principal	1,118,640	-	1,118,640
Interest and fiscal charges	233,454	-	233,454
Water	-	494,728	494,728
Sewer	-	413,085	413,085
Storm water sewer	-	185,952	185,952
Total program disbursements	<u>6,236,188</u>	<u>1,093,765</u>	<u>7,329,953</u>
Increase (decrease) in net assets	420,923	222,841	643,764
Net assets, at beginning of year	<u>846,414</u>	<u>1,009,509</u>	<u>1,855,923</u>
Net assets, at end of year	<u>\$ 1,267,337</u>	<u>\$ 1,232,350</u>	<u>\$ 2,499,687</u>

**Governmental Activities**

Program receipts represent 21.1 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 78.9 percent of the Village's total receipts of governmental activities, and of this amount, 76.1 percent are property and municipal income taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the clerk-treasurer and income tax departments, as well as internal services such as payroll and purchasing.

Security of persons and property are the costs of police protection; public health services is the health department; leisure time activities are the costs of maintaining the parks and playing fields; the economic development department promotes the village to industry and commerce as well as working with other governments in the area to attract new business; and transportation is the cost of maintaining the roads.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, principal payments, capital outlay, and general government which account for 43.5 percent, 17.9 percent, 14.9 percent and 14.3 percent, of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
Governmental Activities

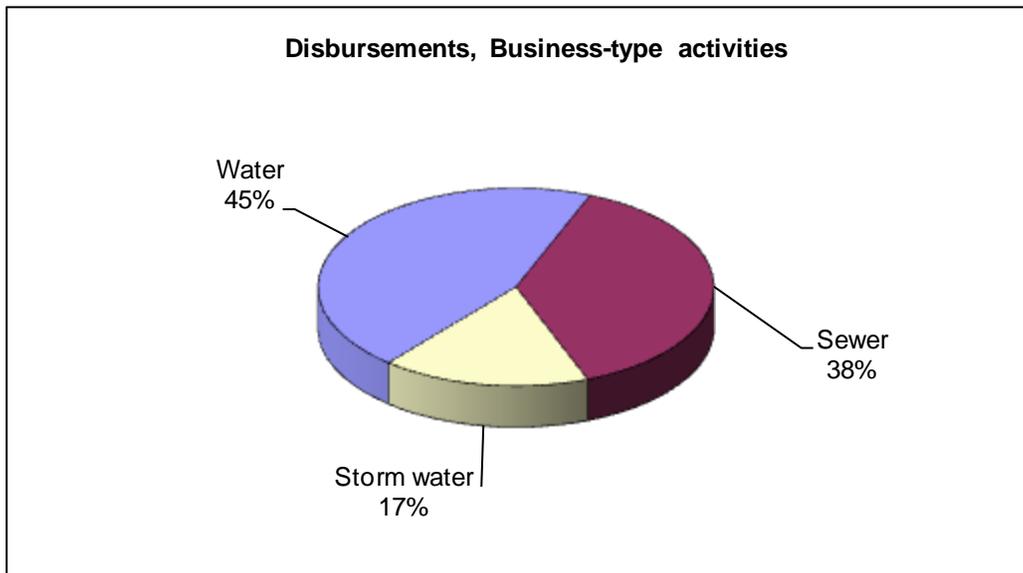
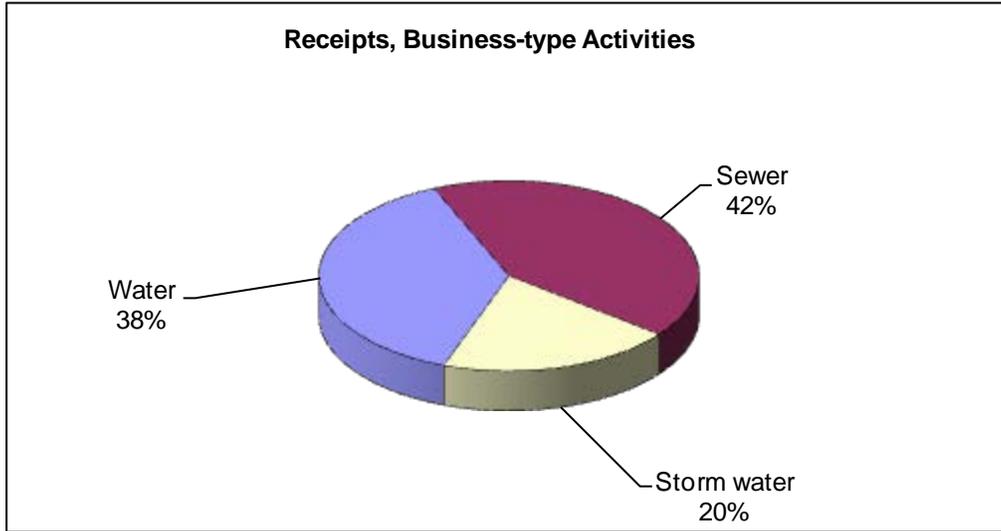
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental activities		
Security of persons and property	\$ 2,712,782	\$ (2,128,739)
Leisure time activities	16,120	(14,120)
Community environment	5,976	324
Basic utility services	65,508	(65,508)
Transportation	260,498	(260,498)
General government	893,503	(676,354)
Capital outlay	929,707	(587,330)
Principal	1,118,640	(927,804)
Interest and fiscal charges	233,454	(174,579)
Total governmental activities	<u>\$ 6,236,188</u>	<u>\$ (4,834,608)</u>

The dependence upon property and income tax receipts is apparent as 64.2 percent of governmental activities are supported through these general receipts.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED

**Business-type Activities**

The primary source of receipts for the business-type activities is charges for services, which was 99.1 percent of total receipts.



VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED

**The Village's Funds**

Total governmental funds had receipts of \$ 5,907,111, disbursements of \$ 6,236,191 and other financing sources of \$ 750,000. The greatest changes within governmental funds occurred within the General Fund, which increased \$ 424,197.

**General Fund Budgeting Highlights**

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

During 2011, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 55,988 lower than original budgeted receipts. Actual receipts exceeded the final budgeted amount by \$ 504,811.

Final disbursements, including transfers out were budgeted at \$ 4,690,949 which was \$ 117,516 higher than original appropriations. Actual disbursements, including transfers out were \$ 66,101 less than the final budgeted amount.

**Capital Assets**

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

**Debt**

Outstanding long-term debt obligations of the Village consisted of:

	Governmental Activities <u>2011</u>	Business-type Activities <u>2011</u>	<u>Total</u> <u>2011</u>
Bonds			
General obligation	\$ 3,220,000	\$ -	\$ 3,220,000
Special assessment	375,000	344,000	719,000
OWDA loan	-	87,120	87,120
OPWC loan	5,161	294,116	299,277
Note payable	270,000	-	270,000
	<u>\$ 3,870,161</u>	<u>\$ 725,236</u>	<u>\$ 4,595,397</u>

The OWDA loan relates to sewer projects. The special assessment bonds are for street waterline and sewer improvements. OPWC loans financed waterline improvements and replacements. The note payable is to the Lorain County Engineers for engineering costs. For further information regarding the Village's debt, refer to Note 13 to the basic financial statements.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED

**Current Issues**

In 2010, two TIFF ordinances were passed to encompass most of the commercial property in the Village in order to generate infrastructure improvement funds. The revenue is expected to initially fund the Village's share of the costs of the SR301 road widening project.

In November 2012, the voters approved a five year levy which will generate \$ 295,000 additional annual revenue to fund capital improvements for vehicles and equipment for the Fire Department. These expenditures normally were funded by the General Fund. The first full collection year will be in 2013.

The Village has been in discussion to attempt to provide sewers to the northern area of the Village in order to attract development and also to provide sewers to a new \$ 31,000,000 school building. Construction of the new school began in 2013, with a completion date of 2015. The two year construction of the schools will generate substantial new income tax revenue.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Timothy J. Pelcic, Clerk-Treasurer, Village of Sheffield, 4820 Detroit Road, Sheffield, Ohio 44035.

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VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
STATEMENT OF NET ASSETS – CASH BASIS  
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 1,267,337	\$ 1,232,350	\$ 2,499,687
Total assets	<u>\$ 1,267,337</u>	<u>\$ 1,232,350</u>	<u>\$ 2,499,687</u>
Net assets			
Restricted for:			
Capital projects	\$ 4,726	\$ -	\$ 4,726
Debt service	106,078	-	106,078
Highways and streets	9,293	-	9,293
Security of persons and property	55,394	-	55,394
Unclaimed funds	12,476	-	12,476
Other	7,836	-	7,836
Unrestricted	1,071,534	1,232,350	2,303,884
Total net assets	<u>\$ 1,267,337</u>	<u>\$ 1,232,350</u>	<u>\$ 2,499,687</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 2,712,782	\$ 578,653	\$ 5,390	\$ -
Leisure time activities	16,120	2,000	-	-
Community environment	5,976	6,300	-	-
Basic utility services	65,508	-	-	-
Transportation	260,498	-	-	-
General government	893,503	206,827	-	10,322
Capital outlay	929,707	-	-	342,377
Principal	1,118,640	-	-	190,836
Interest and fiscal charges	233,454	-	-	58,875
Total governmental activities	<u>6,236,188</u>	<u>793,780</u>	<u>5,390</u>	<u>602,410</u>
Business-type activities				
Water	494,728	499,230	-	6,300
Sewer	413,085	546,599	-	4,100
Storm water sewer	185,952	258,839	-	-
Total business-type activities	<u>1,093,765</u>	<u>1,304,668</u>	<u>-</u>	<u>10,400</u>
Total	<u>\$ 7,329,953</u>	<u>\$ 2,098,448</u>	<u>\$ 5,390</u>	<u>\$ 612,810</u>

General receipts  
Property taxes levied for:  
  General purposes  
  Payment in lieu of taxes  
  Municipal income taxes  
  Grants and entitlements not restricted to specific programs  
  Notes issued  
  Interest  
  Other  
Total general receipts

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,128,739)	\$ -	\$ (2,128,739)
(14,120)	-	(14,120)
324	-	324
(65,508)	-	(65,508)
(260,498)	-	(260,498)
(676,354)	-	(676,354)
(587,330)	-	(587,330)
(927,804)	-	(927,804)
(174,579)	-	(174,579)
<u>(4,834,608)</u>	<u>-</u>	<u>(4,834,608)</u>
-	10,802	10,802
-	137,614	137,614
-	72,887	72,887
-	221,303	221,303
<u>(4,834,608)</u>	<u>221,303</u>	<u>(4,613,305)</u>
562,760	-	562,760
50,937	-	50,937
3,440,037	-	3,440,037
444,927	-	444,927
750,000	-	750,000
580	-	580
6,290	1,538	7,828
<u>5,255,531</u>	<u>1,538</u>	<u>5,257,069</u>
420,923	222,841	643,764
846,414	1,009,509	1,855,923
<u>\$ 1,267,337</u>	<u>\$ 1,232,350</u>	<u>\$ 2,499,687</u>

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in pooled cash	\$ 1,084,010	\$ 4,726	\$ 178,601	\$ 1,267,337
<b>Total assets</b>	<b><u>\$ 1,084,010</u></b>	<b><u>\$ 4,726</u></b>	<b><u>\$ 178,601</u></b>	<b><u>\$ 1,267,337</u></b>
<b>Fund balances</b>				
Restricted	\$ 12,476	\$ 4,726	\$ 178,601	\$ 195,803
Assigned	1,580	-	-	1,580
Unassigned	1,069,954	-	-	1,069,954
<b>Total fund balances</b>	<b><u>\$ 1,084,010</u></b>	<b><u>\$ 4,726</u></b>	<b><u>\$ 178,601</u></b>	<b><u>\$ 1,267,337</u></b>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and other taxes	\$ 562,760	\$ -	\$ -	\$ 562,760
Payments in lieu of taxes	50,937	-	-	50,937
Municipal income tax	3,440,037	-	-	3,440,037
Intergovernmental	218,814	342,377	231,503	792,694
Special assessments	-	-	260,033	260,033
Charges for services	124,575	-	6,300	130,875
Fines, licenses and permits	566,868	-	17,234	584,102
Interest	576	-	4	580
Miscellaneous	81,893	-	-	81,893
<b>Total revenues</b>	<b>5,046,460</b>	<b>342,377</b>	<b>515,074</b>	<b>5,903,911</b>
<b>Expenditures</b>				
<b>Current</b>				
Security of persons and property	2,710,282	-	2,500	2,712,782
Leisure time activities	16,120	-	-	16,120
Community environment	-	-	5,976	5,976
Basic utility services	65,508	-	-	65,508
Transportation	-	-	260,498	260,498
General government	883,181	-	10,322	893,503
Capital outlay	393,156	440,101	96,450	929,707
Debt service				
Principal	30,000	905,000	183,640	1,118,640
Interest and fiscal charges	-	174,582	58,872	233,454
<b>Total disbursements</b>	<b>4,098,247</b>	<b>1,519,683</b>	<b>618,258</b>	<b>6,236,188</b>
Excess of receipts over (under) disbursements	948,213	(1,177,306)	(103,184)	(332,277)
<b>Other financing sources (uses)</b>				
Loan proceeds	3,200	-	-	3,200
Notes issued	-	750,000	-	750,000
Transfers-in	-	424,762	102,454	527,216
Transfers-out	(527,216)	-	-	(527,216)
<b>Total other financing sources (uses)</b>	<b>(524,016)</b>	<b>1,174,762</b>	<b>102,454</b>	<b>753,200</b>
Net change in fund balances	424,197	(2,544)	(730)	420,923
Fund balances at beginning of year, restated	659,813	7,270	179,331	846,414
Fund balances at end of year	<u>\$ 1,084,010</u>	<u>\$ 4,726</u>	<u>\$ 178,601</u>	<u>\$ 1,267,337</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – BUDGET BASIS

FOR THE YEAR ENDED DECEMBER 31, 2011

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Municipal income tax	\$ 3,100,000	\$ 3,100,000	\$ 3,440,037	\$ 340,037
Property and other taxes	613,392	613,392	613,697	305
Charges for services	171,747	171,747	124,575	(47,172)
Fines, licenses and permits	395,236	395,236	566,868	171,632
Intergovernmental	232,819	176,831	218,814	41,983
Interest	965	965	576	(389)
Miscellaneous	84,678	84,678	79,893	(4,785)
Total revenues	<u>4,598,837</u>	<u>4,542,849</u>	<u>5,044,460</u>	<u>501,611</u>
Expenditures				
Current				
Security of persons and property	2,826,132	2,789,153	2,710,282	78,871
General government	877,648	1,021,341	883,181	138,160
Capital outlay	296,670	277,472	385,167	(107,695)
Debt service				
Principal	-	30,000	30,000	-
Total disbursements	<u>4,000,450</u>	<u>4,117,966</u>	<u>4,008,630</u>	<u>109,336</u>
Excess of receipts over (under) disbursements	<u>598,387</u>	<u>424,883</u>	<u>1,035,830</u>	<u>610,947</u>
Other financing sources (uses)				
Loan proceeds	-	-	3,200	3,200
Transfers-out	(572,983)	(572,983)	(616,218)	(43,235)
Total other financing sources (uses)	<u>(572,983)</u>	<u>(572,983)</u>	<u>(613,018)</u>	<u>(40,035)</u>
Net change in fund balances	25,404	(148,100)	422,812	570,912
Prior year encumbrances appropriated	-	-	-	-
Fund balances at beginning of year	<u>659,618</u>	<u>659,618</u>	<u>659,618</u>	<u>-</u>
Fund balances at end of year	<u>\$ 685,022</u>	<u>\$ 511,518</u>	<u>\$ 1,082,430</u>	<u>\$ 570,912</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
STATEMENT OF FUND NET ASSETS – CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011

	Water	Sewer	Storm Water	Total Enterprise Funds
Assets				
Equity in pooled cash	\$ 316,129	\$ 568,282	\$ 347,939	\$ 1,232,350
Total assets	<u>\$ 316,129</u>	<u>\$ 568,282</u>	<u>\$ 347,939</u>	<u>\$ 1,232,350</u>
Net assets				
Unrestricted	\$ 316,129	\$ 568,282	\$ 347,939	\$ 1,232,350
Total net assets	<u>\$ 316,129</u>	<u>\$ 568,282</u>	<u>\$ 347,939</u>	<u>\$ 1,232,350</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS –  
CASH BASIS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Water	Sewer	Storm Water	Total Enterprise Funds
Operating receipts				
Charges for services	\$ 499,230	\$ 546,599	\$ 258,839	\$ 1,304,668
Miscellaneous	1,538	-	-	1,538
Total operating receipts	<u>500,768</u>	<u>546,599</u>	<u>258,839</u>	<u>1,306,206</u>
Operating disbursements				
Personal services	188,102	106,961	111,589	406,652
Travel transportation	202	-	-	202
Contractual services	212,991	258,726	10,311	482,028
Materials and supplies	41,600	17,298	27,616	86,514
Total operating disbursements	<u>442,895</u>	<u>382,985</u>	<u>149,516</u>	<u>975,396</u>
Operating income	<u>57,873</u>	<u>163,614</u>	<u>109,323</u>	<u>330,810</u>
Non-operating receipts/disbursements				
Capital outlay	(30,100)	(30,100)	(35,236)	(95,436)
Principal paid	(21,733)	-	(1,200)	(22,933)
Total non-operating receipts/disbursements	<u>(51,833)</u>	<u>(30,100)</u>	<u>(36,436)</u>	<u>(118,369)</u>
Income before transfers and advances	6,040	133,514	72,887	212,441
Capital contributions - tap fees	<u>6,300</u>	<u>4,100</u>	<u>-</u>	<u>10,400</u>
Change in net assets	12,340	137,614	72,887	222,841
Net assets at beginning of year	<u>303,789</u>	<u>430,668</u>	<u>275,052</u>	<u>1,009,509</u>
Net assets at end of year	<u>\$ 316,129</u>	<u>\$ 568,282</u>	<u>\$ 347,939</u>	<u>\$ 1,232,350</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS – CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	Agency
Assets	
Equity in pooled cash	\$ 53,198
Total assets	53,198
 Net assets	
Unrestricted	53,198
Total net assets	\$ 53,198

See accompanying notes to the basic financial statements.

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VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 1 - REPORTING ENTITY**

The Village of Sheffield (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member council elected for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

**Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Sheffield provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer and refuse collection. Council has direct responsibility for these services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, an unincorporated non-profit association available to municipal corporations and their instrumentalities. See Note 9.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. BASIS OF PRESENTATION**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

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

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. FUND ACCOUNTING

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Projects Fund The Capital Projects Fund accounts for and reports for the proceeds of general obligation debt and other grants or aid which are restricted to acquiring or constructing major capital projects, except those financed through enterprise funds.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds. The Village has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Storm Water Fund - The Storm Water Fund accounts for the provision of safe and efficient capture of storm and water runoff.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations.

The Village's agency fund is the Mayor's Court Agency Fund which accounts for fines court costs and fees that are held pending distribution in accordance with statutory specifications or as directed by the court.

C. BASIS OF ACCOUNTING

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

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

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, personnel costs, and other costs level for all funds.

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

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

E. CASH AND INVESTMENTS

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2011 was \$ 576 which includes \$ 350 assigned from other Village funds.

F. RESTRICTED ASSETS

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. LONG-TERM OBLIGATIONS

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid

M. NET ASSETS

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government wide statement of net assets for governmental activities reports \$ 195,803 of restricted net assets, none of which is restricted by enabling legislation.

N. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

NOTE 3 – PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPLES

A. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2011, the Village revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The financial statements now include entity-wide financial statements, which present information for the Village as a whole, and fund financial statements, which present information for individual major funds rather than by fund type. Non-major funds are presented in one column.

The Village also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

For fiscal year 2011, the Village has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and GASB Statement No. 59, “Financial Instruments Omnibus”.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 – PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPLES (continued)

A. CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the Village's financial statements.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and non-major funds:

	General Fund	Capital Projects	Other Governmental Funds	Total
Fund balances, at 12/31/10,				
As previously reported	\$ 645,983	\$ 7,270	\$ 193,161	\$ 846,414
Change in fund structure	195	-	(195)	-
GASB 54 restatment at 12/31/10	<u>\$ 646,178</u>	<u>\$ 7,270</u>	<u>\$ 192,966</u>	<u>\$ 846,414</u>

B. PRIOR PERIOD ADJUSTMENT

During 2011 the Village reclassified certain revenues to the General Fund that had previously been recorded to a Special Revenue Fund.

Fund balance as of December 31, 2010 has been restated as follows:

	General Fund	Capital Projects	Other Governmental Funds	Total
Fund balances, at 12/31/10,				
Per GASB 54	\$ 646,178	\$ 7,270	\$ 192,966	\$ 846,414
Correction for revenue	13,635	-	(13,635)	-
As restated, at 12/31/10	<u>\$ 659,813</u>	<u>\$ 7,270</u>	<u>\$ 179,331</u>	<u>\$ 846,414</u>

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund.

	General Fund
Budget basis	\$ 422,812
Adjustments, increase (decrease)	
Funds budgeted elsewhere **	1,385
Cash basis, as reported	\$ 424,197

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Park Operating Fund and the Solid Waste Fund.

NOTE 5 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund balances				
Restricted for:				
Unclaimed funds	\$ 12,476	\$ -	\$ -	\$ 12,476
Security of persons and property	-	-	55,394	55,394
Highways and streets	-	-	9,293	9,293
Capital projects	-	4,726	-	4,726
Debt service	-	-	106,078	106,078
Other	-	-	7,836	7,836
	12,476	4,726	178,601	195,803
Assigned to:				
Other	1,580	-	-	1,580
	1,069,954	-	-	1,069,954
Total fund balances	\$ 1,084,010	\$ 4,726	\$ 178,601	\$ 1,267,337

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 2,552,885 and the bank balance was \$ 2,572,320. Of the bank balance \$ 666,096 was covered by Federal depository insurance and \$ 1,906,224 was uninsured. Of the remaining balance, \$ 1,906,224 was collateralized with securities held by the pledging institution's trust department, not in the Village's name.

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

NOTE 7 – INCOME TAXES

The Village levies a municipal income tax of 2 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.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - PROPERTY TAXES (continued)

The full tax rate for all Village operations for the year ended December 31, 2011, was \$ 3.60 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

	2011 Collection Year
Property valuation consisted of:	
Real property	\$ 164,719,750
Public utility property	4,105,820
Total valuation	\$ 168,825,570

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

NOTE 9 - RISK MANAGEMENT

The Village has obtained commercial insurance for Employee dishonesty (Clerk Treasurer's Bond). There have been no significant changes in insurance coverage from the prior year.

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 Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2010 (the latest information available), retention levels are \$150,000 for property and casualty coverage. The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements. The Pool's financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$ 1,950,167	\$ 2,109,514
Liabilities	(1,656,732)	(1,920,839)
Accumulated surplus	\$ 293,435	\$ 188,675

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies/

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan—a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2011 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 11.0% and 11.6%, respectively.

The 2011 employer contribution rate for state and local employers was 14.0 percent of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009, were \$ 111,269, \$ 95,211, and \$ 79,469, respectively. For 2011, \$ 96,800 (87.0%) has been contributed. The balance was subsequently contributed in 2012. The full amount has been contributed for 2010 and 2009.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters.

The City's contributions to OP&F for police and firefighters pensions, respectively, were \$ 77,001 and \$ 131,468 for the year ended December 31, 2011 and \$ 67,092 and \$ 158,382 for the year ended December 31, 2010, and \$ 72,953 and \$ 126,453 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. For 2011, \$ 51,225 (66.5%) and \$ 91,240 (69.4%) has been contributed for police and firefighters pensions, respectively. The balance was subsequently paid in 2012.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800- 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employer units contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City contributions to fund postemployment benefits for the years ended December 31, 2011, 2010, and 2009, were \$ 44,505, \$ 54,215, and \$ 57,471, respectively. For 2011, \$ 38,717 (87.0%) has been contributed. The balance was subsequently contributed in 2012. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions to fund postemployment health care benefits for police and firefighters were \$ 40,765 and \$ 51,444 for the year ended December 31, 2011, \$ 35,519 and \$ 61,975 for the year ended December 31, 2010, and \$ 38,623 and \$ 49,481 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. For 2011, \$ 27,119 (66.5%) and \$ 35,703 (69.4%) has been contributed for police and firefighters, respectively. The balance was subsequently paid in 2012.

NOTE 12 - NOTES PAYABLE

Notes payable during the year consisted of the following general obligation bond anticipation notes:

	Outstanding 12/31/2010	Additions	Reductions	Outstanding 12/31/2011	Due in One Year
Governmental activities					
Street improvements					
2010, 1.47%	\$ 715,000	\$ -	\$ 715,000	\$ -	\$ -
2011, 1.50%	-	750,000	-	750,000	750,000
	<u>\$ 715,000</u>	<u>\$ 750,000</u>	<u>\$ 715,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - DEBT

The changes in the Village's long-term debt during 2011 were as follows:

	Restated Beg. Bal. 12/31/2010	Additions	Payments	End. Bal. 12/31/2011	Due w/in 1 Year
<u>Governmental activities</u>					
General obligation bonds					
Municipal complex improvements (2002)					
Varying % through 2022	\$ 1,400,000	\$ -	\$ 90,000	\$ 1,310,000	\$ 90,000
Street improvement (2005)					
Varying % through 2025	<u>2,010,000</u>	<u>-</u>	<u>100,000</u>	<u>1,910,000</u>	<u>100,000</u>
Total general obligation bonds	<u>3,410,000</u>	<u>-</u>	<u>190,000</u>	<u>3,220,000</u>	<u>190,000</u>
Special assessment bonds					
with governmental commitment					
Street improvement (1991)					
Varying % through 2011	60,000	-	60,000	-	-
Various purpose (1999)					
Varying % through 2019	<u>410,000</u>	<u>-</u>	<u>35,000</u>	<u>375,000</u>	<u>40,000</u>
Total special assessment bonds	<u>470,000</u>	<u>-</u>	<u>95,000</u>	<u>375,000</u>	<u>40,000</u>
Ohio Public Works Commission (OPWC)					
Road resurfacing (1998)					
0% through 2013	6,484	-	3,242	3,242	3,242
Road resurfacing (2007)					
0% through 2026	<u>2,051</u>	<u>-</u>	<u>132</u>	<u>1,919</u>	<u>132</u>
Total OPWC loans	<u>8,535</u>	<u>-</u>	<u>3,374</u>	<u>5,161</u>	<u>3,374</u>
County engineer loan payable					
0% through 2020	<u>296,800</u>	<u>3,200</u>	<u>30,000</u>	<u>270,000</u>	<u>30,000</u>
Total governmental activities	<u>\$ 4,185,335</u>	<u>\$ 3,200</u>	<u>\$ 318,374</u>	<u>\$ 3,870,161</u>	<u>\$ 263,374</u>

The beginning balance of long-term debt of governmental activities has been restated to properly reflect the beginning balance of the County engineer loan payable. This restatement had no effect on fund balances.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 – DEBT (continued)

	Beg. Bal. 12/31/2010	Additions	Payments	End. Bal. 12/31/2011	Due w/in 1 Year
<u>Business-type activities</u>					
Special assessment bonds					
with governmental commitment					
Sewer improvements (1994)					
6.750% through 2015	\$ 160,000	\$ -	\$ 30,000	\$ 130,000	\$ 30,000
Sewer improvements (1996)					
various % through 2016	230,000	-	35,000	195,000	35,000
Waterline improvements (1997)					
various % through 2017	22,000	-	3,000	19,000	3,000
Total special assessment bonds	<u>412,000</u>	<u>-</u>	<u>68,000</u>	<u>344,000</u>	<u>68,000</u>
Ohio Public Works Commission (OPWC)					
Water Main Replacement, Phase I (1999)					
0% through 2019	19,593	-	2,305	17,288	2,305
Water Main Replacement, Phase II (1999)					
0% through 2019	31,875	-	3,750	28,125	3,750
Water Main Replacement, Phase (2002)					
0% through 2022	49,324	-	4,484	44,840	4,484
Water Line Replacement (2010)					
0% through 2030	70,235	-	4,682	65,553	4,682
Water Line Replacement (2006)					
0% through 2026	93,346	-	4,787	88,559	4,787
Water Line Replacement (2010)					
0% through 2040	50,876	-	1,725	49,151	1,725
Culvert replacement (2002)					
0% through 2012	1,800	-	1,200	600	600
Total OPWC loans	<u>317,049</u>	<u>-</u>	<u>22,933</u>	<u>294,116</u>	<u>22,333</u>
Ohio Water Development Authority (OWDA)					
Sanitary sewer refinancing (1997)					
4.160% through 2016	104,386	-	17,266	87,120	17,991
Total OWDA	<u>104,386</u>	<u>-</u>	<u>17,266</u>	<u>87,120</u>	<u>17,991</u>
Total business-type activities	<u>\$ 833,435</u>	<u>\$ -</u>	<u>\$ 108,199</u>	<u>\$ 725,236</u>	<u>\$ 108,324</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 – DEBT (continued)

All general obligation bonds are supported by the full faith and credit of The Village of Sheffield and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

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

Year	Governmental Activities			
	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 190,000	\$ 155,362	\$ 40,000	\$ 22,500
2013	205,000	148,002	40,000	20,100
2014	210,000	138,928	40,000	17,700
2015	220,000	129,578	45,000	15,300
2016	230,000	119,662	50,000	12,600
2017 - 2021	1,345,000	379,248	160,000	19,500
2022 - 2026	820,000	80,388	-	-
	<u>\$ 3,220,000</u>	<u>\$ 1,151,168</u>	<u>\$ 375,000</u>	<u>\$ 107,700</u>

Year	Governmental Activities			
	OPWC loans	County Engineer	Total	
	Principal	Principal	Principal	Interest
2012	\$ 3,374	\$ 30,000	\$ 263,374	\$ 177,862
2013	132	30,000	275,132	168,102
2014	132	30,000	280,132	156,628
2015	132	30,000	295,132	144,878
2016	132	30,000	310,132	132,262
2017 - 2021	663	120,000	1,625,663	398,748
2022 - 2026	596	-	820,596	80,388
	<u>\$ 5,161</u>	<u>\$ 270,000</u>	<u>\$ 3,870,161</u>	<u>\$ 1,258,868</u>

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 – DEBT (continued)

Year	Business-type Activities			
	Special Assessment Bonds		OWDA loans	
	Principal	Interest	Principal	Interest
2012	\$ 68,000	\$ 21,480	\$ 17,991	\$ 3,439
2013	68,000	17,198	18,747	2,683
2014	78,000	12,916	19,536	1,895
2015	78,000	8,000	20,357	1,074
2016	48,000	3,084	10,489	226
2017 - 2021	4,000	232	-	-
2022 - 2026	-	-	-	-
2027 - 2031	-	-	-	-
2032 - 2036	-	-	-	-
2037 - 2040	-	-	-	-
	<u>\$ 344,000</u>	<u>\$ 62,910</u>	<u>\$ 87,120</u>	<u>\$ 9,317</u>

Year	Business-type Activities		
	OPWC loans	Total	
	Principal	Principal	Interest
2012	\$ 22,333	\$ 108,324	\$ 24,919
2013	21,733	108,480	19,881
2014	21,733	119,269	14,811
2015	21,733	120,090	9,074
2016	21,733	80,222	3,310
2017 - 2021	93,527	97,527	232
2022 - 2026	51,288	51,288	-
2027 - 2031	25,377	25,377	-
2032 - 2036	8,623	8,623	-
2037 - 2040	6,036	6,036	-
	<u>\$ 294,116</u>	<u>\$ 725,236</u>	<u>\$ 72,227</u>

NOTE 14 - INTERFUND TRANSFERS

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The General Fund transfers to other non-major governmental funds were made to provide additional resources for current operations and capital improvements.

VILLAGE OF SHEFFIELD, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 15 – LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$ 128,412 to pay lease costs for the year ended December 31, 2011. Future lease payments are as follows:

Year	Amount
2012	\$ 70,347
2013	34,044
2014	27,727
2015	27,727
2016	27,727
2017-2018	55,454
	\$ 243,026

NOTE 16 – SUBSEQUENT EVENTS

On July 10, 2012, the Village issued a \$ 775,000 bond anticipation note in anticipation of the issuance of bonds, to pay costs of constructing extensions of and improvements to Village streets, including acquiring real estate or interests therein. The note matures on July 10, 2013 and has an interest rate of .948%.

During 2012, the Village entered into various lease agreements requiring the following annual lease payments:

Year	Amount
2012	\$ 75,991
2013	75,991
2014	75,991
2015	75,991
2016	49,024
	\$ 352,988

In November 2012, the voters approved a five year levy which will generate \$ 295,000 additional annual revenue. The first full collection year will be 2013.

# Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E. Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

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

June 27, 2013

Village of Sheffield  
Lorain County  
4820 Detroit Road  
Sheffield Village, Ohio 44035

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Sheffield**, Lorain County, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 27, 2013, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles and the Village has adopted Governmental Accounting Standard No. 34, Governmental Accounting Standards Board Statement No. 54, and Governmental Accounting Standards Board Statement No. 63.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

We noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 27, 2013.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Financial Reporting	Yes	N/A



# Dave Yost • 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  
SEPTEMBER 24, 2013**