



Dave Yost • Auditor of State

VILLAGE OF SHEFFIELD
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2010	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2009	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21
Schedule of Prior Audit Findings	22

This page intentionally left blank.



Dave Yost • Auditor of State

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

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 24, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sheffield, Lorain County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361
www.auditor.state.oh.us

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Sheffield, Lorain County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

October 24, 2011

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$682,026	\$0	\$0	\$0	\$682,026
Municipal Income Tax	3,109,800				3,109,800
Intergovernmental	228,960	233,006		848,716	1,310,682
Special Assessments			227,037		227,037
Charges for Services	174,655	12,628			187,283
Fines, Licenses and Permits	402,423	26,430			428,853
Earnings on Investments	966	22			988
Miscellaneous	136,916	15,424			152,340
Total Cash Receipts	<u>4,735,746</u>	<u>287,510</u>	<u>227,037</u>	<u>848,716</u>	<u>6,099,009</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	2,668,293	9,068			2,677,361
Leisure Time Activities		8,062			8,062
Community Environment		6,351			6,351
Basic Utility Service		52,110			52,110
Transportation		245,764			245,764
General Government	884,603		8,856		893,459
Debt Service:					
Redemption of Principal		3,375	164,569	845,000	1,012,944
Interest and Fiscal Charges			69,306	193,933	263,239
Capital Outlay	296,383	82,626		893,401	1,272,410
Total Cash Disbursements	<u>3,849,279</u>	<u>407,356</u>	<u>242,731</u>	<u>1,932,334</u>	<u>6,431,700</u>
Total Receipts Over/(Under) Disbursements	<u>886,467</u>	<u>(119,846)</u>	<u>(15,694)</u>	<u>(1,083,618)</u>	<u>(332,691)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				715,000	715,000
Transfers-In		131,942	14,133	375,888	521,963
Transfers-Out	(521,963)				(521,963)
Total Other Financing Receipts / (Disbursements)	<u>(521,963)</u>	<u>131,942</u>	<u>14,133</u>	<u>1,090,888</u>	<u>715,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	364,504	12,096	(1,561)	7,270	382,309
Fund Cash Balances, January 1	281,479	85,556	97,070	0	464,105
Fund Cash Balances, December 31	<u><u>\$645,983</u></u>	<u><u>\$97,652</u></u>	<u><u>\$95,509</u></u>	<u><u>\$7,270</u></u>	<u><u>\$846,414</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,291,993	\$0	\$1,291,993
Mayor's Court		419,742	419,742
Total Operating Cash Receipts	<u>1,291,993</u>	<u>419,742</u>	<u>1,711,735</u>
Operating Cash Disbursements:			
Personal Services	365,791		365,791
Travel Transportation	499		499
Contractual Services	416,418		416,418
Supplies and Materials	105,621		105,621
Mayor's Court		438,033	438,033
Total Operating Cash Disbursements	<u>888,329</u>	<u>438,033</u>	<u>1,326,362</u>
Operating Income/(Loss)	<u>403,664</u>	<u>(18,291)</u>	<u>385,373</u>
Non-Operating Cash Receipts:			
Intergovernmental	<u>50,536</u>		<u>50,536</u>
Total Non-Operating Cash Receipts	<u>50,536</u>	<u>0</u>	<u>50,536</u>
Non-Operating Cash Disbursements:			
Capital Outlay	193,706		193,706
Redemption of Principal	<u>19,677</u>		<u>19,677</u>
Total Non-Operating Cash Disbursements	<u>213,383</u>	<u>0</u>	<u>213,383</u>
Net Receipts Over/(Under) Disbursements	240,817	(18,291)	222,526
Fund Cash Balances, January 1	<u>768,693</u>	<u>49,562</u>	<u>818,255</u>
Fund Cash Balances, December 31	<u>\$1,009,510</u>	<u>\$31,271</u>	<u>\$1,040,781</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$730,822	\$0	\$0	\$0	\$730,822
Municipal Income Tax	2,388,260				2,388,260
Intergovernmental	430,261	256,762			687,023
Special Assessments			227,350		227,350
Charges for Services	211,010	4,820			215,830
Fines, Licenses and Permits	500,906	14,730			515,636
Earnings on Investments	3,152	7			3,159
Miscellaneous	72,858	6,200			79,058
Total Cash Receipts	4,337,269	282,519	227,350	0	4,847,138
Cash Disbursements:					
Current:					
Security of Persons and Property	2,523,923	2,800			2,526,723
Leisure Time Activities		7,329			7,329
Community Environment		4,200			4,200
Basic Utility Service		53,082			53,082
Transportation		210,624			210,624
General Government	848,780		8,768		857,548
Debt Service:					
Redemption of Principal		3,374	153,901	815,000	972,275
Interest and Fiscal Charges			78,806	192,157	270,963
Capital Outlay	313,635	63,622		640	377,897
Total Cash Disbursements	3,686,338	345,031	241,475	1,007,797	5,280,641
Total Receipts Over/(Under) Disbursements	650,931	(62,512)	(14,125)	(1,007,797)	(433,503)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				660,000	660,000
Transfers-In		48,886	15,690	347,797	412,373
Transfers-Out	(412,373)				(412,373)
Other Financing Uses	(13,132)				(13,132)
Total Other Financing Receipts / (Disbursements)	(425,505)	48,886	15,690	1,007,797	646,868
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	225,426	(13,626)	1,565	0	213,365
Fund Cash Balances, January 1	56,053	99,182	95,505	0	250,740
Fund Cash Balances, December 31	\$281,479	\$85,556	\$97,070	\$0	\$464,105
Reserve for Encumbrances, December 31	\$40,000	\$0	\$0	\$0	\$40,000

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,250,578	\$0	\$1,250,578
Mayor's Court		507,557	507,557
Total Operating Cash Receipts	<u>1,250,578</u>	<u>507,557</u>	<u>1,758,135</u>
Operating Cash Disbursements:			
Personal Services	379,196		379,196
Contractual Services	424,018		424,018
Supplies and Materials	83,601		83,601
Mayors Court		512,295	512,295
Total Operating Cash Disbursements	<u>886,815</u>	<u>512,295</u>	<u>1,399,110</u>
Operating Income/(Loss)	<u>363,763</u>	<u>(4,738)</u>	<u>359,025</u>
Non-Operating Cash Receipts:			
Intergovernmental	210,626		210,626
Total Non-Operating Cash Receipts	<u>210,626</u>	<u>0</u>	<u>210,626</u>
Non-Operating Cash Disbursements:			
Capital Outlay	433,174		433,174
Redemption of Principal	16,422		16,422
Total Non-Operating Cash Disbursements	<u>449,596</u>	<u>0</u>	<u>449,596</u>
Net Receipts Over/(Under) Disbursements	124,793	(4,738)	120,055
Fund Cash Balances, January 1	<u>643,900</u>	<u>54,300</u>	<u>698,200</u>
Fund Cash Balances, December 31	<u>\$768,693</u>	<u>\$49,562</u>	<u>\$818,255</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village values repurchase agreements at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

3. Debt Service Funds

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

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

Abbe Rd. Sewer Fund – This fund is used to account for principal and interest payments for the retirement of outstanding special assessment bonds for the cost of constructing sewers along Abbe Rd.

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

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

4. Capital Project Funds

These funds account for proceeds of general obligation bonds which are restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds).

5. Enterprise Funds

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

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

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

Utility Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. A utility surcharge recorded in this fund will repay this loan.

6. Fiduciary Funds

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

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

The Village had the following significant fiduciary fund:

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	\$1,887,195	\$962,360
Total deposits	1,887,195	962,360
Repurchase agreement	0	320,000
Total investments	0	320,000
Total deposits and investments	\$1,887,195	\$1,282,360

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

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and December 31, 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,671,246	\$4,735,746	\$64,500
Special Revenue	408,160	419,452	11,292
Debt Service	241,285	241,170	(115)
Capital Projects	1,939,604	1,939,604	0
Enterprise	1,344,626	1,342,529	(2,097)
Total	<u>\$8,604,921</u>	<u>\$8,678,501</u>	<u>\$73,580</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,429,781	\$4,371,242	\$58,539
Special Revenue	430,251	407,356	22,895
Debt Service	243,277	242,731	546
Capital Projects	1,939,604	1,932,334	7,270
Enterprise	1,160,074	1,101,712	58,362
Total	<u>\$8,202,987</u>	<u>\$8,055,375</u>	<u>\$147,612</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,252,857	\$4,337,269	\$84,412
Special Revenue	319,106	331,405	12,299
Debt Service	243,040	243,040	0
Capital Projects	1,007,797	1,007,797	0
Enterprise	1,393,792	1,461,204	67,412
Total	<u>\$7,216,592</u>	<u>\$7,380,715</u>	<u>\$164,123</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,156,940	\$4,151,843	\$5,097
Special Revenue	356,095	345,031	11,064
Debt Service	250,940	241,475	9,465
Capital Projects	1,007,798	1,007,797	1
Enterprise	1,645,462	1,336,411	309,051
Total	<u>\$7,417,235</u>	<u>\$7,082,557</u>	<u>\$334,678</u>

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax

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

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

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Single county taxpayers may pay annually or semiannually. If paid annually, the payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

5. Local Income Tax

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.

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Municipal Complex	\$1,400,000	4.20%
General Obligation Bonds - French Creek Industrial Park	2,010,000	3.50%
French Creek Tie Road - (BAN)	715,000	1.47%
Ohio Water Development Authority Loan	104,386	4.16%
Ohio Public Water Commission Loans	325,586	0.00%
Special Assessment Bonds	882,000	various
Total	<u>\$5,436,972</u>	

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

General obligation bonds were issued to pay costs of renovating, remodeling, adding to, furnishing, equipping, and otherwise improving the Village's Municipal Complex and its site. The remaining principal balance on these bonds as of December 31, 2010 is \$1,400,000. These bonds are collateralized by the Village's taxing authority.

In 2005, the Village issued general obligation bonds in the amount of \$2,325,000 pay costs of constructing new public roadways with sanitary sewer, water, and storm sewer lines in the French Creek Industrial Park. The remaining principal balance on these bonds as of December 31, 2010 is \$2,010,000. These bonds are collateralized by the Village's taxing authority.

In 2007, the Village issued a Bond Anticipation Note (BAN) in the amount of \$589,000. These funds were used to purchase necessary property to enable the future construction of a road which will provide access to the French Creek Industrial Park directly from SR254 and in close proximity to I90. In 2010, capitalizing interest and financing cost of the BAN was rolled over in the amount of \$715,000. It is anticipated that this purchase as well as the cost of constructing the road will ultimately be an assessment project. This note is collateralized by the Village's taxing authority.

The Ohio Water Development Authority (OWDA) loan relates to a sewer improvement along French Creek Rd. The Village will repay the loan in semiannual installments of \$10,715, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

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

Year ending December 31:	General	OWDA Loan	OPWC Loans	Special
	Obligation			Assessment
	Bonds			Bonds
2011	\$352,733	\$21,430	\$26,308	\$215,744
2012	345,363	21,430	25,708	151,357
2013	353,003	21,430	21,865	146,021
2014	348,928	21,430	21,865	150,684
2015	349,578	21,430	21,865	149,863
2016-2020	1,743,438	10,715	100,244	304,243
2021-2025	1,244,988		61,116	
Thereafter			46,615	
Total	\$4,738,031	\$117,865	\$325,586	\$1,117,912

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Employee dishonesty (Clerk Treasurer's Bond)

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

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The 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, 2009, retention levels are \$100,000 and \$150,000 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 December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$2,109,514	\$ 2,552,519
Liabilities	<u>(1,920,839)</u>	<u>(2,814,306)</u>
Accumulated deficit	<u>\$188,675</u>	<u>(\$261,787)</u>

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. Contingent Liabilities

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

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

10. Subsequent Events

On July 12, 2011, the Village issued a \$750,000 Bond Anticipation Note in anticipation of the issuance of bonds, to pay costs of construction extensions of and improvements to Village streets, including acquiring real estate or interests therein, interest rate of 1.50% and maturing on July 11, 2012.

This page intentionally left blank.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Sheffield, Lorain County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 24, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 24, 2011.

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

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



Dave Yost
Auditor of State

October 24, 2011

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-01

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure that the information provided to the readers of the financial statements is complete and accurate.

We noted the following weaknesses and the Clerk-Treasurer made subsequent adjustments to the financial statements and, where applicable, to the Village's accounting records:

2010

- The General Fund overstated intergovernmental receipts by \$44,650 and understated miscellaneous receipts by \$44,650.
- The Special Revenue Fund overstated intergovernmental receipts by \$15,000 and understated miscellaneous receipts by \$15,000.
- The Enterprise Fund posted receipts of \$94,942 received from the OPWC that were incorrectly posted as charges for services, of this amount \$50,536 is an intergovernmental receipt and \$44,406 relates to fiscal year 2009 and was incorrectly posted in fiscal year 2010.
- Capital Project Fund special assessments were overstated by \$848,716 and intergovernmental receipts were understated by \$848,716 due to intergovernmental receipts being posted as special assessment receipts.

2009

- The General Fund intergovernmental receipts were understated by \$78,667 and security of persons and property expenditures were understated by \$78,667.
- Debt Service Fund interest payments were overstated by \$10,869 and principal payments were understated by \$10,869 due to principal payments being posted as interest payments.
- The Enterprise Fund understated intergovernmental receipts received from the OPWC by \$210,626, and of this amount, charges for services were overstated by \$166,220 and \$44,406 related to fiscal year 2009 and was incorrectly posted in fiscal year 2010.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

The Village should adopt policies and procedures for controls over recording of daily financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data at year-end.

Official's Response:

The Village declined to respond.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Numerous adjustments and reclassifications were made to the financial statements.	No	Reissued Finding 2010-01
2008-002	Ohio Revised Code Section 5705.41(B) - Expenditures in excess of appropriations	Yes	



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
NOVEMBER 15, 2011