



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHEFFIELD
LORAIN COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 13, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sheffield, Lorain County, (the Village) as of and for the years ended December 31, 2008 and 2007. 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.

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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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Sheffield, Lorain County, as of December 31, 2008 and 2007, 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 July 13, 2010, 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.



Mary Taylor, CPA
Auditor of State

July 13, 2010

**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, 2008**

	<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	\$722,232				\$722,232
Municipal Income Tax	2,381,680				2,381,680
Intergovernmental	328,676	\$260,289			588,965
Special Assessments			\$231,318		231,318
Charges for Services	227,449	3,680			231,129
Fines, Licenses and Permits	440,855	14,264			455,119
Earnings on Investments	16,935				16,935
Miscellaneous	52,981	43			53,024
Total Cash Receipts	4,170,808	278,276	231,318	0	4,680,402
Cash Disbursements:					
Current:					
Security of Persons and Property	2,790,601	8,890			2,799,491
Leisure Time Activities		38,296			38,296
Community Environment		5,927			5,927
Basic Utility Service		57,638			57,638
Transportation		204,723			204,723
General Government	843,624		8,958		852,582
Debt Service:					
Redemption of Principal		3,242	153,259	720,000	876,501
Interest and Fiscal Charges			88,269	254,256	342,525
Capital Outlay	169,531	54,661		17,082	241,274
Total Cash Disbursements	3,803,756	373,377	250,486	991,338	5,418,957
Total Receipts Over/(Under) Disbursements	367,052	(95,101)	(19,168)	(991,338)	(738,555)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				635,000	635,000
Transfers-In		90,383	17,052	858,424	965,859
Transfers-Out	(965,859)				(965,859)
Total Other Financing Receipts / (Disbursements)	(965,859)	90,383	17,052	1,493,424	635,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(598,807)	(4,718)	(2,116)	502,086	(103,555)
Fund Cash Balances, January 1	654,860	103,900	97,621	(502,086)	354,295
Fund Cash Balances, December 31	\$56,053	\$99,182	\$95,505	\$0	\$250,740

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, 2008**

	<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	\$1,222,598		\$1,222,598
Mayor's Court		\$453,265	453,265
Total Operating Cash Receipts	<u>1,222,598</u>	<u>453,265</u>	<u>1,675,863</u>
Operating Cash Disbursements:			
Personal Services	366,900		366,900
Travel Transportation	180		180
Contractual Services	689,408		689,408
Supplies and Materials	85,764		85,764
Mayor's Court		431,599	431,599
Total Operating Cash Disbursements	<u>1,142,252</u>	<u>431,599</u>	<u>1,573,851</u>
Operating Income/(Loss)	<u>80,346</u>	<u>21,666</u>	<u>102,012</u>
Non-Operating Cash Disbursements:			
Capital Outlay	126,068		126,068
Redemption of Principal	16,421		16,421
Total Non-Operating Cash Disbursements	<u>142,489</u>	<u>0</u>	<u>142,489</u>
Net Receipts Over/(Under) Disbursements	(62,143)	21,666	(40,477)
Fund Cash Balances, January 1	<u>706,043</u>	<u>32,634</u>	<u>738,677</u>
Fund Cash Balances, December 31	<u><u>\$643,900</u></u>	<u><u>\$54,300</u></u>	<u><u>\$698,200</u></u>

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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	\$886,219				\$886,219
Municipal Income Tax	2,466,497				2,466,497
Intergovernmental	274,731	\$261,334			536,065
Special Assessments			\$232,997		232,997
Charges for Services	179,190	6,963			186,153
Fines, Licenses and Permits	524,599	17,158			541,757
Earnings on Investments	45,293				45,293
Miscellaneous	44,323	3,538			47,861
Total Cash Receipts	4,420,852	288,993	232,997	0	4,942,842
Cash Disbursements:					
Current:					
Security of Persons and Property	2,991,589	773			2,992,362
Leisure Time Activities		23,240			23,240
Community Environment		9,240			9,240
Basic Utility Service		65,600			65,600
Transportation		201,307			201,307
General Government	820,135		9,128		829,263
Debt Service:					
Redemption of Principal		3,242	137,644	85,000	225,886
Interest and Fiscal Charges			96,775	184,878	281,653
Capital Outlay	153,493	50,928		638,880	843,301
Total Cash Disbursements	3,965,217	354,330	243,547	908,758	5,471,852
Total Receipts Over/(Under) Disbursements	455,635	(65,337)	(10,550)	(908,758)	(529,010)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				589,000	589,000
Transfers-In		42,300	4,273	314,842	361,415
Transfers-Out	(361,415)				(361,415)
Other Financing Uses	(94,171)				(94,171)
Total Other Financing Receipts / (Disbursements)	(455,586)	42,300	4,273	903,842	494,829
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	49	(23,037)	(6,277)	(4,916)	(34,181)
Fund Cash Balances, January 1	654,811	126,937	103,898	(497,170)	388,476
Fund Cash Balances, December 31	\$654,860	\$103,900	\$97,621	(\$502,086)	\$354,295

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, 2007**

	<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	\$1,444,997		\$1,444,997
Mayor's Court		\$430,080	430,080
Total Operating Cash Receipts	<u>1,444,997</u>	<u>430,080</u>	<u>1,875,077</u>
Operating Cash Disbursements:			
Personal Services	350,554		350,554
Travel Transportation	580		580
Contractual Services	607,368		607,368
Supplies and Materials	56,450		56,450
Mayors Court		427,842	427,842
Total Operating Cash Disbursements	<u>1,014,952</u>	<u>427,842</u>	<u>1,442,794</u>
Operating Income/(Loss)	<u>430,045</u>	<u>2,238</u>	<u>432,283</u>
Non-Operating Cash Disbursements:			
Capital Outlay	447,176		447,176
Redemption of Principal	16,421		16,421
Other Non-Operating Cash Disbursements		16,220	16,220
Total Non-Operating Cash Disbursements	<u>463,597</u>	<u>16,220</u>	<u>479,817</u>
Net Receipts Over/(Under) Disbursements	(33,552)	(13,982)	(47,534)
Fund Cash Balances, January 1	<u>739,595</u>	<u>46,616</u>	<u>786,211</u>
Fund Cash Balances, December 31	<u>\$706,043</u>	<u>\$32,634</u>	<u>\$738,677</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, 2008 AND 2007**

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, (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, 2008 AND 2007
(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 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 Fund

This fund accounts 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, 2008 AND 2007
(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 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.

2. Estimated Resources

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

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2008 and 2007 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:

	2008	2007
Demand deposits	\$840,517	\$921,087
Total deposits	840,517	921,087
Repurchase agreement	108,423	171,885
Total investments	108,423	171,885
Total deposits and investments	\$948,940	\$1,092,972

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, 2008 AND 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and December 31, 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,326,206	\$4,170,808	(\$155,398)
Special Revenue	348,222	368,659	20,437
Debt Service	246,673	248,370	1,697
Capital Projects	991,338	1,493,424	502,086
Enterprise	1,145,817	1,222,598	76,781
Total	\$7,058,256	\$7,503,859	\$445,603

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,785,070	\$4,769,615	\$15,455
Special Revenue	392,049	373,377	18,672
Debt Service	250,940	250,486	454
Capital Projects	991,338	991,338	0
Enterprise	1,420,795	1,284,741	136,054
Total	\$7,840,192	\$7,669,557	\$170,635

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,407,220	\$4,420,852	\$13,632
Special Revenue	318,178	331,293	13,115
Debt Service	237,270	237,270	0
Capital Projects	903,842	903,842	0
Enterprise	1,355,593	1,444,997	89,404
Total	\$7,222,103	\$7,338,254	\$116,151

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,411,908	\$4,420,803	(\$8,895)
Special Revenue	439,138	354,330	84,808
Debt Service	245,597	243,547	2,050
Capital Projects	908,758	908,758	0
Enterprise	1,538,057	1,478,549	59,508
Total	\$7,543,458	\$7,405,987	\$137,471

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Parks fund by \$20,847 for the year ended December 31, 2008.

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 property taxes are levied after October 1, on the value as of December 31. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 was 12.5 percent. This was reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due 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 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Municipal Complex	\$1,565,000	3.90%
General Obligation Bonds - French Creek Industrial Park	2,210,000	4.06%
French Creek Tie Road - BAN	635,000	2.50%
Ohio Water Development Authority Loan	136,856	4.16%
Ohio Public Water Commission Loans	331,776	0.00%
Special Assessment Bonds	1,168,000	various
Total	<u><u>\$6,046,632</u></u>	

General obligation bonds were issued to pay costs of renovating, remodeling, adding to, furnishing, equipping, and otherwise improving the Village's Municipal Complex and its site. The remaining principal balance on these bonds as of December 31, 2008 is \$1,565,000. 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 to 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, 2008 is \$2,210,000. 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. Capitalizing interest and financing cost the BAN was rolled over in the amount of \$635,000. 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:

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt (Continued)

Year ending December 31:	General Obligation Bonds	OWDA Loan	OPWC Loans	Special Assessment Bonds
2009	\$355,783	\$21,430	\$25,916	\$206,934
2010	354,503	21,430	25,916	209,283
2011	352,733	21,430	25,916	215,744
2012	345,363	21,430	25,916	151,357
2013	353,003	21,430	21,473	146,021
2014-2018	1,747,805	53,576	107,367	546,490
2019-2023	1,566,600		71,151	58,300
2024 - 2026	372,525		28,121	
Total	<u>\$5,448,315</u>	<u>\$160,726</u>	<u>\$331,776</u>	<u>\$1,534,129</u>

7. Retirement Systems

The Village's full-time 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 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, 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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

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.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

Risk Pool Membership

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

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2008 and 2007:

	<u>2007</u>	<u>2008</u>
Assets	\$2,552,519	\$ 2,405,834
Liabilities	<u>(2,814,306)</u>	<u>(2,877,385)</u>
Total deficit	<u>(\$261,787)</u>	<u>(\$471,551)</u>

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.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

11. Subsequent Events

Effective June 2009, an income tax increase was placed on the ballot and passed. This will result in a .5% increase from 1.5% to 2%. The increase will be in effect for a period of 5 years, The Village's annual revenue will increase by approximately \$750,000 per year as a result of the increased percentage of income tax revenue to the Village.

On June 8, 2009, the Village passed Ordinance 2205, which provides for the issuance and sale of \$660,000 of notes, in anticipation of the issuance of bonds, to pay costs of acquiring real estate or interests therein required for extension and improvement of Village streets. The notes will mature one year from the date of issuance and will bear interest at a rate not to exceed 3%.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Sheffield, Lorain County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 13, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated July 13, 2010.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 13, 2010.

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.



Mary Taylor, CPA
Auditor of State

July 13, 2010

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Significant Deficiency/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.

Numerous adjustments and revenue reclassifications were posted to the financial statements due to the following:

2008

- Debt Service Special Assessment Revenue was overstated by \$15,335 and Transfers In were understated by \$15,335 due to transfers from the General Fund being posted as Special Assessment Revenue.
- Capital Project Other Financing Sources were overstated by \$356,339 while Transfers In were understated by \$356,339 due to transfers from the General Fund being posted as Other Financing Sources.
- All Principal and Interest payments were posted as Capital Outlay expenditures understating Special Revenue Fund Principal by \$3,242, Capital Project Fund Principal by \$720,000 and Interest by \$254,257, Enterprise Fund Principal by \$16,421, Debt Service Fund Principal by \$153,259 and Interest by \$88,272 and overstating Capital Outlay expenditures in those funds by the same amounts.
- Municipal Income Tax was understated by \$2,381,680 and Property Tax Revenues were overstated by \$2,381,680 due to all income tax receipts being posted as Property Tax Revenues.

2007

- Special Revenue Security of Persons and Property Expenditures were overstated by \$30,967 while General Fund Security of Persons and Property Expenditures were understated by \$30,967 due to the Clerk-Treasurer incorrectly posting an adjustment as a result of errors noted during the prior audit.
- Debt Service Special Assessment Revenue was overstated by \$4,273 and Transfers In were understated by \$4,273 due to transfers from the General Fund being posted as Special Assessment Revenue.
- Capital Project Other Financing Sources were overstated by \$314,842 while Transfers In were understated by \$314,842 due to transfers from the General Fund being posted as Other Financing Sources.
- All Principal and Interest payments were posted as Capital Outlay expenditures understating Special Revenue Fund Principal by \$3,242, Capital Project Fund Principal by \$85,000 and Interest by \$184,878, Enterprise Fund Principal by \$16,221, Debt Service Fund Principal by \$137,644 and Interest by \$96,775 and overstating Capital Outlay expenditures in those funds by the same amounts.
- Municipal Income Tax was understated by \$2,466,497 and Property Tax Revenues were overstated by \$2,466,497 due to all income tax receipts being posted as Property Tax Revenues.

VILLAGE OF SHEFFIELD
LORAIN COUNTY

SCHEDULE OF FINDINGS (continued)
DECEMBER 31, 2008 AND 2007

FINDING NUMBER 2008-001 (continued)

Significant Deficiency/Material Weakness (continued)

Financial Reporting (continued)

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.

FINDING NUMBER 2008-002

Non Compliance Finding

Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless properly appropriated. Budgetary expenditures (disbursements plus encumbrances) as enacted by Village Council may not exceed appropriations at the legal level for all funds.

The following fund had expenditures in excess of appropriations as of December 31, 2008 at the legal level of control:

<u>Fund Name</u>	<u>Total Expenditures</u>	<u>Total Appropriations</u>	<u>Variance</u>
Parks	\$86,211	\$65,364	(\$20,847)

Failure to limit expenditures to appropriations could lead to expenditures exceeding available resources and ultimately negative find balances. The Village should monitor expenditures and encumbrances to ensure they have proper appropriation authority prior to expending funds or certifying encumbrances and amend the appropriations as deemed necessary.

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Numerous adjustments and reclassifications were made to the financial statements	No	Reissued as Finding 2008-001
2006-002	The Village was not depositing receipts timely in accordance with ORC section 9.38	No	Reissued as a Management Letter Comment
2006-003	Numerous funds had negative fund balances throughout the year.	No	Reissued as a Management Letter Comment



Mary Taylor, CPA
Auditor of State

VILLAGE OF SHEFFIELD

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 14, 2010**