



**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF SHEFFIELD
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sheffield, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 1999. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2000 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 grants.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

October 5, 2000

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VILLAGE OF SHEFFIELD

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Total
Cash receipts:					
Local taxes	\$1,587,043	\$0	\$0	\$0	\$1,587,043
Intergovernmental	186,304	178,812	0	486,756	851,872
Special assessments	0	0	172,594	0	172,594
Charges for services	21,624	2,000	0	0	23,624
Fines, licenses, and permits	579,898	22,606	0	0	602,504
Miscellaneous	200,247	25,252	0	0	225,499
Total cash receipts	2,575,116	228,670	172,594	486,756	3,463,136
Cash disbursements:					
Current:					
Security of persons and property	1,531,537	49,971	0	0	1,581,508
Public health services	14,380	4,972	0	0	19,352
Leisure time activities	0	6,349	0	0	6,349
Basic utility services	0	50,994	0	0	50,994
Transportation	0	131,159	0	0	131,159
General government	651,518	0	6,687	0	658,205
Debt Service:					
Principal and Interest Payments	0	0	176,777	661,514	838,291
Capital outlay	239,712	0	0	2,923,948	3,163,660
Total program disbursements	2,437,147	243,445	183,464	3,585,462	6,449,518
Total receipts over/(under) program disbursements	137,969	(14,775)	(10,870)	(3,098,706)	(2,986,382)
Other financing receipts/(disbursements):					
Proceeds from sale of public debt					
Sale of bonds	0	0	0	673,187	673,187
Sale of notes	0	0	0	2,500,000	2,500,000
Transfers-in	0	33,500	0	521,459	554,959
Advances-in	4,524	0	1,836	0	6,360
Transfers-out	(554,959)	0	0	0	(554,959)
Advances-out	(1,836)	(3,421)	(1,103)	0	(6,360)
Other financing source/use	(102,622)	0	0	0	(102,622)
Total other financing receipts/(disbursements)	(654,893)	30,079	733	3,694,646	3,070,565
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(516,924)	15,304	(10,137)	595,940	84,183
Fund cash balances January 1, 1999 - Restated	1,066,309	199,380	164,307	835,965	2,265,961
Fund cash balances, December 31, 1999	\$549,385	\$214,684	\$154,170	\$1,431,905	\$2,350,144
Reserve for encumbrances, December 31, 1999	\$116,192	\$17,700	\$0	\$141,739	\$275,631

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

VILLAGE OF SHEFFIELD

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Enterprise	Agency	Total
Operating cash receipts:			
Charges for services	\$689,432	\$0	\$689,432
Mayor's court	0	476,468	476,468
Total operating cash receipts	689,432	476,468	1,165,900
Operating cash disbursements:			
Personal services	264,793	0	264,793
Travel transportation	42	0	42
Contractual services	350,976	0	350,976
Supplies and materials	64,895	0	64,895
Mayor's court	0	497,869	497,869
Capital outlay	0	0	0
Total operating cash disbursements	680,706	497,869	1,178,575
Operating income/(loss)	8,726	(21,401)	(12,675)
Excess of receipts over/(under) disbursements before interfund transfers and advances	8,726	(21,401)	(12,675)
Transfers-in	0	0	0
Advances-in	0	0	0
Transfers-out	0	0	0
Advances-out	0	0	0
Net receipts over/(under) disbursements	8,726	(21,401)	(12,675)
Fund cash balances, January 1, 1999	465,980	65,904	531,884
Fund cash balances, December 31, 1999	\$474,706	\$44,503	\$519,209
Reserve for encumbrances, December 31, 1999	\$23,088	\$0	\$23,088

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

**VILLAGE OF SHEFFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sheffield, Lorain County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire services. Educational services are provided by various other entities which are separate governmental entities and their financial statements are not included in these financial statements.

Utilizing the criteria provided in Codification of Governmental Accounting and Financial Reporting, Section 2100, the operations and balances of the Mayor's Court have been adjusted onto the financial statements included herein as an Agency Fund.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Repurchase agreements and certificates of deposit are valued at cost. Accordingly, purchases of these investments are not recorded as disbursements, and sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF SHEFFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Solid Waste/Recycling Fund - This fund is used to account for a recycling grant received from the State of Ohio.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service funds:

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

Abbe Road Fund - This fund is used to account for principal payments for the retirement of outstanding special assessment bonds for sewer improvement.

I-90 Sewer Improvement Fund - This fund is used to account for principal payments for the retirement of outstanding special assessment bonds for constructing a sanitary sewer and curb connections.

4. Capital Project Funds

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

Municipal Building Construction Fund - This fund received proceeds of a general obligation note. The proceeds were used to construct a new municipal building.

Sheffield Commercial Drive Fund - This fund received proceeds from the sale of a bond. The proceeds are being used to construct a new industrial park road.

5. Enterprise Funds

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

VILLAGE OF SHEFFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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) 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 budgetary activity appears in Note 3.

VILLAGE OF SHEFFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

H. (Memorandum Only) Total Columns

Total columns on the financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>
Demand Deposits	\$ 548,978
Certificates of Deposit	<u>1,600,375</u>
Total Deposits	<u><u>\$ 2,149,353</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Village had a repurchase agreement in the amount of \$720,000 as of December 31, 1999.

VILLAGE OF SHEFFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,115,656	\$ 2,575,116	\$ (540,540)
Special Revenue	279,058	262,170	(16,888)
Debt Service	168,002	172,594	4,592
Capital Projects	4,238,745	4,181,402	(57,343)
Enterprise	<u>755,000</u>	<u>689,432</u>	<u>(65,568)</u>
Total	<u>\$ 8,556,461</u>	<u>\$ 7,880,714</u>	<u>\$ (675,747)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,491,211	\$ 3,210,920	\$ 280,291
Special Revenue	321,617	261,145	60,472
Debt Service	183,886	183,464	422
Capital Projects	4,707,187	3,727,201	979,986
Enterprise	<u>801,170</u>	<u>703,794</u>	<u>97,376</u>
Total	<u>\$ 9,505,071</u>	<u>\$ 8,086,524</u>	<u>\$ 1,418,547</u>

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

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

VILLAGE OF SHEFFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

5. INCOME TAX

The Village levies an income tax of 1% on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. The tax also applies to the net income of business operating within the Village.

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Special Assessment Bonds:		
Evergreen Parkway	\$ 500,000	5.15-7.25%
Abbe Road	375,000	6.75%
I-90 Sewer Improvement	490,000	5.85-5.95%
Oster Road	55,000	5.80-7.25%
Commercial Drive	690,000	5.25-6.00%
Total Special Assessment Bonds	2,110,000	
Ohio Public Works Commission Loans:		
Arbor Avenue	11,780	0%
Sumner Day	8,259	0%
French Creek Resurfacing	42,151	0%
East River Water	44,948	0%
East River Water	73,125	0%
Total OPWC Loans	180,263	
Ohio Water Development Authority Loan:		
French Creek Road	253,996	4.16%
Total OWDA Loan	253,996	
General Obligation Note		
Municipal Complex	2,500,000	6%
Total	\$ 5,044,259	

During 1999, the Village issued a General Obligation Note in the amount of \$2,500,000 in anticipation of the issuance of bonds for the construction of a new municipal complex. The Village also issued Special Assessment bonds for the construction of Commercial Drive.

The outstanding Special Assessment Bonds are payable from the proceeds of tax assessments against individual property owners.

The Ohio Public Works Commission (OPWC) loans are for the Arbor Avenue, French Creek, Sumner Day, and East River water mains.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project on French Creek Road.

VILLAGE OF SHEFFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

6. DEBT (Continued)

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

Year ending December 31:	Special Assessment Bonds	OPWC Loans	OWDA Loans	General Obligation Note
2000	\$ 221,114	\$ 8,677	\$ 10,715	\$ 2,590,000
2001	216,400	17,354	21,430	0
2002	210,991	15,289	21,430	0
2003	215,356	11,261	21,430	0
2004	214,095	9,297	21,430	0
Subsequent	<u>2,395,919</u>	<u>118,385</u>	<u>257,183</u>	<u>0</u>
Total	<u>\$ 3,473,875</u>	<u>\$ 180,263</u>	<u>\$ 353,618</u>	<u>\$ 2,590,000</u>

7. RETIREMENT SYSTEMS

The Village's full-time law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

8. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle
- Law Enforcement Liability

The Village also provides health and life insurance to full-time employees through a private carrier.

9. CONTINGENT LIABILITIES

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

**VILLAGE OF SHEFFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

10. RESTATEMENT OF FUND BALANCE

The General Fund and Special Revenue beginning fund balances were restated to properly reflect Health District revenues and the related expenditures in the General Fund. The restatement had the following effect on fund balances:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Fund balance previously reported As of December 31, 1998	\$1,051,807	\$213,882
Restatement	14,502	(14,502)
Restated Fund Balance As of January 1, 1999	\$1,066,309	\$199,380

11. SUBSEQUENT EVENTS

On April 4, 2000, the Village issued \$4,925,000 in notes in anticipation of the sale of bonds.



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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sheffield, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 1999, and have issued our report thereon dated October 5, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 5, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 5, 2000.

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

October 5, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF SHEFFIELD

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 14, 2000**