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**VILLAGE OF SHEFFIELD
LORAIN COUNTY
Regular Audit
For the Years Ended December 31, 2014 and 2013**

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Dave Yost • Auditor of State

Village Council
Village of Sheffield
4820 Detroit Road
Sheffield Village, Ohio 44090

We have reviewed the *Independent Auditor's Report* of the Village of Sheffield, Lorain County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

November 3, 2015

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**VILLAGE OF SHEFFIELD
LORAIN COUNTY**

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LORAIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 24, 2015

Village of Sheffield
Lorain County
4820 Detroit Road
Sheffield Village, Ohio 44090

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Sheffield**, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sheffield, Lorain County, Ohio, as of December 31, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund and Detroit Road TIF Fund for the year ended 2014 and for the General Fund for the year ended 2013 in accordance with the accounting basis described in Note 2C.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to the Management's Discussion and Analysis presented on pages 3 - 11 and 43 - 51 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

This discussion and analysis of the Village of Sheffield, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2014, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Financial Highlights

Key highlights for 2014 are as follows

Net position of governmental activities increased \$ 44,340 or 2.8 percent over 2013. This was the result of increases of \$ 57,325 in the General Fund and \$ 151,113 in the Detroit Road TIF Fund. The Capital Improvement Fund and other Governmental Funds decreased by \$ 70,021 and \$ 94,077 respectively.

The Village's general receipts are primarily municipal income taxes, bond proceeds and property and other local taxes. These receipts represent respectively 38.8 percent, 35.1 percent, and 7.4 percent of the total cash received for governmental activities during the year.

Net position of business-type activities decreased \$ 503,789 from 2013. Net position increased in the Water Fund by \$ 9,984 and decreased in the Sewer Fund and Storm Water Fund by \$ 459,578 and \$ 54,195 respectively.

Using the Basic Financial Statements

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

Report Components

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

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

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

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Basis of Accounting

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

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

Government-wide Financial Statements

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2014, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the equity in pooled cash of the governmental and business-type activities of the Village at year-end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Fund Financial Statements

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

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

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2014 compared to 2013 on a cash basis.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Equity in pooled cash	\$ 1,635,010	\$ 1,590,670	\$ 858,245	\$ 1,362,034	\$ 2,493,255	\$ 2,952,704
Total assets	<u>\$ 1,635,010</u>	<u>\$ 1,590,670</u>	<u>\$ 858,245</u>	<u>\$ 1,362,034</u>	<u>\$ 2,493,255</u>	<u>\$ 2,952,704</u>
Net position						
Restricted for:						
Capital projects	\$ 266,399	\$ 229,824	\$ -	\$ -	\$ 266,399	\$ 229,824
Debt service	94,219	93,481	-	-	94,219	93,481
Other	62,367	112,665	-	-	62,367	112,665
Unrestricted	1,212,025	1,154,700	858,245	1,362,034	2,070,270	2,516,734
Total net position	<u>\$ 1,635,010</u>	<u>\$ 1,590,670</u>	<u>\$ 858,245</u>	<u>\$ 1,362,034</u>	<u>\$ 2,493,255</u>	<u>\$ 2,952,704</u>

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

As mentioned previously, net position of governmental activities increased \$ 44,340 or 2.8 percent during 2014.

Table 2 reflects the changes in net position in 2014 compared to 2013 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Receipts						
Program receipts						
Charges for services	\$ 847,237	\$ 849,421	\$ 1,400,127	\$ 1,372,901	\$ 2,247,364	\$ 2,222,322
Operating grants and contributions	47,662	29,368	-	-	47,662	29,368
Capital grants and contributions	443,807	572,027	18,740	53,810	462,547	625,837
Total program receipts	<u>1,338,706</u>	<u>1,450,816</u>	<u>1,418,867</u>	<u>1,426,711</u>	<u>2,757,573</u>	<u>2,877,527</u>
General receipts						
Property and other local taxes	749,810	750,342	-	-	749,810	750,342
Payments in lieu of taxes	200,021	162,224	-	-	200,021	162,224
Municipal income taxes	3,919,199	3,522,977	-	-	3,919,199	3,522,977
Grants and entitlements	348,019	389,898	-	-	348,019	389,898
Note proceeds	-	775,000	-	-	-	775,000
Bond proceeds	3,540,000	-	-	-	3,540,000	-
Bond premium	77,427	-	-	-	77,427	-
Interest	121	558	-	-	121	558
Other	1,167	6,241	-	-	1,167	6,241
Total general receipts	<u>8,835,764</u>	<u>5,607,240</u>	<u>-</u>	<u>-</u>	<u>8,835,764</u>	<u>5,607,240</u>
Total receipts	<u>10,174,470</u>	<u>7,058,056</u>	<u>1,418,867</u>	<u>1,426,711</u>	<u>11,593,337</u>	<u>8,484,767</u>

(continued on next page)

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Table 2
Change in Net Position
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program cash disbursements						
Security of persons and property	\$ 3,796,013	\$ 3,455,225	\$ -	\$ -	\$ 3,796,013	\$ 3,455,225
Leisure time activities	44,042	28,654	-	-	44,042	28,654
Community environment	11,022	6,841	-	-	11,022	6,841
Basic utility services	33,066	65,341	-	-	33,066	65,341
Transportation	349,413	265,060	-	-	349,413	265,060
General government	1,243,164	1,222,414	-	-	1,243,164	1,222,414
Capital outlay	460,163	283,998	-	-	460,163	283,998
Principal	3,817,668	1,136,879	-	-	3,817,668	1,136,879
Interest and fiscal charges	375,579	197,809	-	-	375,579	197,809
Water	-	-	571,953	590,754	571,953	590,754
Sewer	-	-	1,031,738	560,435	1,031,738	560,435
Storm water sewer	-	-	318,965	184,597	318,965	184,597
Total program cash disbursements	<u>10,130,130</u>	<u>6,662,221</u>	<u>1,922,656</u>	<u>1,335,786</u>	<u>12,052,786</u>	<u>7,998,007</u>
Increase (decrease) in net position	44,340	395,835	(503,789)	90,925	(459,449)	486,760
Net position, at beginning of year	<u>1,590,670</u>	<u>1,194,835</u>	<u>1,362,034</u>	<u>1,271,109</u>	<u>2,952,704</u>	<u>2,465,944</u>
Net position, at end of year	<u>\$ 1,635,010</u>	<u>\$ 1,590,670</u>	<u>\$ 858,245</u>	<u>\$ 1,362,034</u>	<u>\$ 2,493,255</u>	<u>\$ 2,952,704</u>

Governmental Activities

Program receipts represent 13.3 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 86.7 percent of the Village's total receipts of governmental activities, and of this amount, 53.3 percent are property and municipal income taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, principal payments, and general government which account for 37.5 percent, 37.7 percent, and 12.3 percent, of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net (Disbursement) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Governmental activities		
Security of persons and property	\$ 3,796,013	\$ (3,225,365)
Leisure time activities	44,042	(42,042)
Community environment	11,022	368
Basic utility services	33,066	(33,066)
Transportation	349,413	(349,413)
General government	1,243,164	(925,943)
Capital outlay	460,163	(238,918)
Principal	3,817,668	(3,633,978)
Interest and fiscal charges	375,579	(343,067)
Total governmental activities	<u>\$ 10,130,130</u>	<u>\$ (8,791,424)</u>

The dependence upon property and income tax receipts is apparent as 46.1 percent of governmental activities are supported through these general receipts.

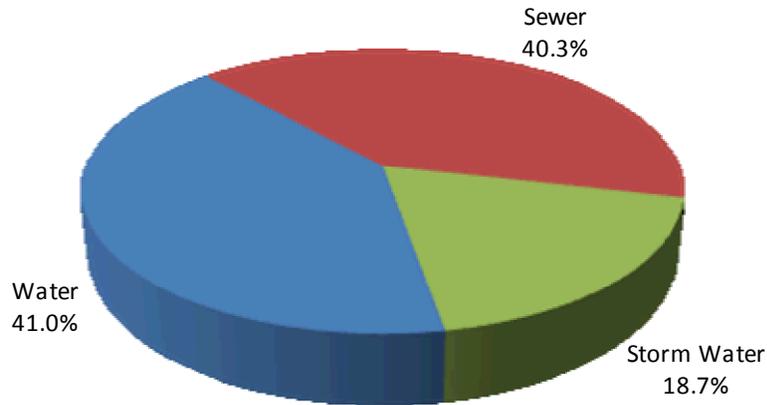
VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

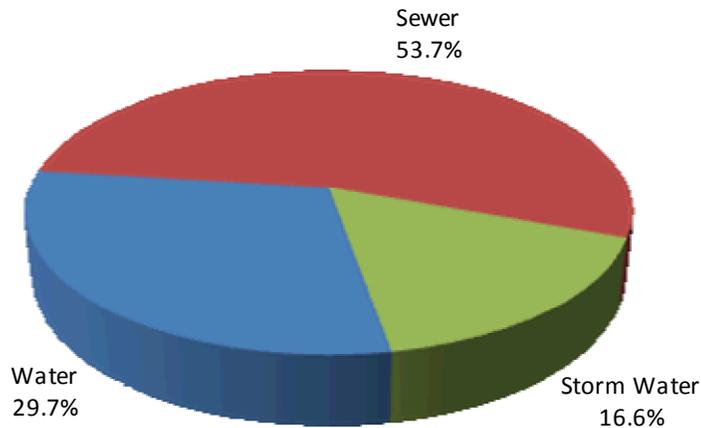
Business-type Activities

The primary source of receipts for the business-type activities is charges for services, which was 98.7 percent of total receipts.

Receipts, Business-type Activities



Disbursements, Business-type Activities



VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

The Village's Funds

Total governmental funds had receipts of \$ 6,557,043, disbursements of \$ 10,130,130 and other financing sources, net of \$ 3,500,802. The greatest changes within governmental funds occurred within the Detroit Road TIF Fund, which increased \$ 151,113.

General Fund Budgeting Highlights

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

During 2014, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 350,382 higher than original budgeted receipts. Actual receipts were greater than final budgeted amount by \$ 35,792.

Original appropriations were \$ 5,102,505 and final appropriations were \$ 5,502,505. Actual disbursements were \$ 96,408 less than the final budgeted amount.

Capital Assets

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

Debt

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds						
General obligations	\$ 3,490,000	\$ 2,825,000	\$ -	\$ -	\$ 3,490,000	\$ 2,825,000
Special assessment	255,000	295,000	130,000	208,000	385,000	503,000
OWDA loans	-	-	30,846	50,382	30,846	50,382
OPWC loans	1,523	1,655	228,317	250,050	229,840	251,705
Note payable	180,000	210,000	-	-	180,000	210,000
	<u>\$ 3,926,523</u>	<u>\$ 3,331,655</u>	<u>\$ 389,163</u>	<u>\$ 508,432</u>	<u>\$ 4,315,686</u>	<u>\$ 3,840,087</u>

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

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Current Issues

The Village has been in discussion to attempt to provide sewers to the northern area of the Village in order to attract development and also to provide sewers to a new \$ 31,000,000 school building. Construction of the new school began in 2013, with an expected 2015 completion date. The two year construction of the school will generate substantial new income tax revenue. The engineering and design of the sewer has been completed. The Village is continuing to apply for funding assistance in the way of grants and low interest loans through the OPWC, OWDA and other entities. Without adequate funding assistance the project will not move forward at this time.

The Village has also seen some increase in commercial activity in 2014. A new Dollar General store has been constructed and is now open for business. Also an At Home store is now open for business. Two new hotels have been through Planning Commission, a Holiday Inn and a Hilton – Homewood Suites. The Homewood Suites is well under construction with a projected opening in the spring of 2015. Also through Planning Commission, has been approval for construction of a new AutoZone store, Burlington Coat Factory, and an apartment complex.

Collective Bargaining agreements were negotiated and are in place through March 31, 2016.

Contacting the Village's Financial Management

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

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VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 1,635,010	\$ 858,245	\$ 2,493,255
Total assets	\$ 1,635,010	\$ 858,245	\$ 2,493,255
Net position			
Restricted for:			
Capital projects	\$ 266,399	\$ -	\$ 266,399
Debt service	94,219	-	94,219
Highways and streets	5,983	-	5,983
Security of persons and property	56,057	-	56,057
Other	327	-	327
Unrestricted	1,212,025	858,245	2,070,270
Total net position	\$ 1,635,010	\$ 858,245	\$ 2,493,255

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 3,796,013	\$ 527,176	\$ 43,472	\$ -
Leisure time activities	44,042	2,000	-	-
Community environment	11,022	7,200	4,190	-
Basic utility services	33,066	-	-	-
Transportation	349,413	-	-	-
General government	1,243,164	310,861	-	6,360
Capital outlay	460,163	-	-	221,245
Principal	3,817,668	-	-	183,690
Interest and fiscal charges	375,579	-	-	32,512
Total governmental activities	10,130,130	847,237	47,662	443,807
Business-type activities				
Water	571,953	572,117	-	9,820
Sewer	1,031,738	563,240	-	8,920
Storm water sewer	318,965	264,770	-	-
Total business-type activities	1,922,656	1,400,127	-	18,740
Total	\$ 12,052,786	\$ 2,247,364	\$ 47,662	\$ 462,547

General receipts

Property taxes levied for:

General purposes

Other

Payments in lieu of taxes

Municipal income taxes

Grants and entitlements not restricted to specific programs

Bond proceeds

Bond premium

Interest

Other

Total general receipts

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (3,225,365)	\$ -	\$ (3,225,365)
(42,042)	-	(42,042)
368	-	368
(33,066)	-	(33,066)
(349,413)	-	(349,413)
(925,943)	-	(925,943)
(238,918)	-	(238,918)
(3,633,978)	-	(3,633,978)
(343,067)	-	(343,067)
<u>(8,791,424)</u>	<u>-</u>	<u>(8,791,424)</u>
-	9,984	9,984
-	(459,578)	(459,578)
-	(54,195)	(54,195)
<u>-</u>	<u>(503,789)</u>	<u>(503,789)</u>
<u>(8,791,424)</u>	<u>(503,789)</u>	<u>(9,295,213)</u>
505,680	-	505,680
244,130	-	244,130
200,021	-	200,021
3,919,199	-	3,919,199
348,019	-	348,019
3,540,000	-	3,540,000
77,427	-	77,427
121	-	121
1,167	-	1,167
<u>8,835,764</u>	<u>-</u>	<u>8,835,764</u>
44,340	(503,789)	(459,449)
<u>1,590,670</u>	<u>1,362,034</u>	<u>2,952,704</u>
<u>\$ 1,635,010</u>	<u>\$ 858,245</u>	<u>\$ 2,493,255</u>

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Capital Improvements Fund	Detroit Road TIF Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash	\$ 1,212,025	\$ -	\$ 266,399	\$ 156,586	\$ 1,635,010
Total assets	\$ 1,212,025	\$ -	\$ 266,399	\$ 156,586	\$ 1,635,010
Fund balances					
Restricted	\$ -	\$ -	\$ 266,399	\$ 156,586	\$ 422,985
Assigned	1,165	-	-	-	1,165
Unassigned	1,210,860	-	-	-	1,210,860
Total fund balances	\$ 1,212,025	\$ -	\$ 266,399	\$ 156,586	\$ 1,635,010

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Improvements Fund	Detroit Road TIF Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and other taxes	\$ 505,680	\$ -	\$ -	\$ 244,130	\$ 749,810
Payments in lieu of taxes	-	-	153,068	46,953	200,021
Municipal income tax	3,919,199	-	-	-	3,919,199
Intergovernmental	222,798	221,245	-	233,529	677,572
Special assessments	-	-	-	161,916	161,916
Charges for services	175,946	-	-	7,200	183,146
Fines, licenses and permits	569,575	-	-	12,876	582,451
Interest	120	-	-	1	121
Miscellaneous	82,807	-	-	-	82,807
Total receipts	5,476,125	221,245	153,068	706,605	6,557,043
Disbursements					
Current					
Security of persons and property	3,448,117	-	-	347,896	3,796,013
Leisure time activities	44,042	-	-	-	44,042
Community environment	-	-	-	11,022	11,022
Basic utility services	33,066	-	-	-	33,066
Transportation	-	-	-	349,413	349,413
General government	1,234,262	-	1,955	6,947	1,243,164
Capital outlay	105,835	263,946	-	90,382	460,163
Debt service					
Principal	-	3,680,000	-	137,668	3,817,668
Interest and fiscal charges	-	343,067	-	32,512	375,579
Total disbursements	4,865,322	4,287,013	1,955	975,840	10,130,130
Excess of receipts over (under) disbursements	610,803	(4,065,768)	151,113	(269,235)	(3,573,087)
Other financing sources					
Bond proceeds	-	3,540,000	-	-	3,540,000
Bond premium	-	77,427	-	-	77,427
Transfers in	-	378,320	-	266,041	644,361
Transfers out	(553,478)	-	-	(90,883)	(644,361)
Total other financing sources	(553,478)	3,995,747	-	175,158	3,617,427
Net change in fund balances	57,325	(70,021)	151,113	(94,077)	44,340
Fund balances at beginning of year	1,154,700	70,021	115,286	250,663	1,590,670
Fund balances at end of year	\$ 1,212,025	\$ -	\$ 266,399	\$ 156,586	\$ 1,635,010

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2014

GENERAL FUND

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and other taxes	\$ 565,904	\$ 565,904	\$ 505,680	\$ (60,224)
Municipal income tax	3,644,211	3,940,895	3,919,199	(21,696)
Intergovernmental	95,759	120,297	218,608	98,311
Charges for services	196,010	173,172	175,946	2,774
Fines, licenses and permits	493,660	553,204	569,575	16,371
Interest	575	111	120	9
Miscellaneous	87,642	80,560	80,807	247
Total receipts	<u>5,083,761</u>	<u>5,434,143</u>	<u>5,469,935</u>	<u>35,792</u>
Disbursements				
Personnel costs	2,267,658	2,617,762	2,578,433	39,329
Other	2,834,847	2,884,743	2,827,664	57,079
Total disbursements	<u>5,102,505</u>	<u>5,502,505</u>	<u>5,406,097</u>	<u>96,408</u>
Net change in fund balances	(18,744)	(68,362)	63,838	132,200
Prior year encumbrances appropriated	-	-	-	-
Fund balances at beginning of year	<u>1,147,022</u>	<u>1,147,022</u>	<u>1,147,022</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,128,278</u>	<u>\$ 1,078,660</u>	<u>\$ 1,210,860</u>	<u>\$ 132,200</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2014

DETROIT ROAD TIF FUND

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Payments in lieu of taxes	\$ 117,011	\$ 153,068	\$ 153,068	\$ -
Total receipts	<u>117,011</u>	<u>153,068</u>	<u>153,068</u>	<u>-</u>
Disbursements				
Other	1,725	1,955	1,955	-
Total disbursements	<u>1,725</u>	<u>1,955</u>	<u>1,955</u>	<u>-</u>
Net change in fund balances	115,286	151,113	151,113	-
Prior year encumbrances appropriated	-	-	-	-
Fund balances at beginning of year	<u>115,286</u>	<u>115,286</u>	<u>115,286</u>	<u>-</u>
Fund balances at end of year	<u>\$ 230,572</u>	<u>\$ 266,399</u>	<u>\$ 266,399</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Water Fund	Sew er Fund	Storm Water	Total Enterprise Funds
Assets				
Equity in pooled cash	\$ 258,990	\$ 164,678	\$ 434,577	\$ 858,245
Total assets	<u>\$ 258,990</u>	<u>\$ 164,678</u>	<u>\$ 434,577</u>	<u>\$ 858,245</u>
Net position				
Unrestricted	\$ 258,990	\$ 164,678	\$ 434,577	\$ 858,245
Total net position	<u>\$ 258,990</u>	<u>\$ 164,678</u>	<u>\$ 434,577</u>	<u>\$ 858,245</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	Water Fund	Sewer Fund	Storm Water	Total Enterprise Funds
Receipts				
Charges for services	\$ 570,293	\$ 563,240	\$ 264,770	\$ 1,398,303
Miscellaneous	1,824	-	-	1,824
Total receipts	<u>572,117</u>	<u>563,240</u>	<u>264,770</u>	<u>1,400,127</u>
Operating disbursements				
Personal services	245,540	155,309	109,827	510,676
Contractual services	219,794	781,335	860	1,001,989
Materials and supplies	65,307	36,712	57,629	159,648
Total operating disbursements	<u>530,641</u>	<u>973,356</u>	<u>168,316</u>	<u>1,672,313</u>
Operating income (loss)	<u>41,476</u>	<u>(410,116)</u>	<u>96,454</u>	<u>(272,186)</u>
Non-operating disbursements				
Capital outlay	(19,579)	(58,382)	(150,649)	(228,610)
Principal paid	(21,733)	-	-	(21,733)
Total non-operating disbursements	<u>(41,312)</u>	<u>(58,382)</u>	<u>(150,649)</u>	<u>(250,343)</u>
Income (loss) before contributions	<u>164</u>	<u>(468,498)</u>	<u>(54,195)</u>	<u>(522,529)</u>
Capital contributions - tap fees	<u>9,820</u>	<u>8,920</u>	<u>-</u>	<u>18,740</u>
Change in net position	9,984	(459,578)	(54,195)	(503,789)
Net position at beginning of year	<u>249,006</u>	<u>624,256</u>	<u>488,772</u>	<u>1,362,034</u>
Net position at end of year	<u>\$ 258,990</u>	<u>\$ 164,678</u>	<u>\$ 434,577</u>	<u>\$ 858,245</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2014

Assets	Agency
Equity in pooled cash	\$ 41,261
Total assets	\$ 41,261
Net position	
Unrestricted	41,261
Total net position	\$ 41,261

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

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

Government-Wide Financial Statements

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

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

Fund Financial Statements

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

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

B. FUND ACCOUNTING

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

Governmental Funds

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

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

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

Detroit Road TIF Fund – The Detroit Road TIF Fund accounts for payments in lieu of taxes used to help fund capital infrastructure improvements to this area of the Village.

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

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

C. BASIS OF ACCOUNTING

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS

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

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

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

E. CASH AND INVESTMENTS

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

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2014 was \$ 120 which includes \$ 68 assigned from other Village funds.

F. RESTRICTED ASSETS

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

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. LONG-TERM OBLIGATIONS

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

M. NET POSITION

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

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government wide statement of net position for governmental activities includes restricted net position of \$ 422,985, none of which is restricted by enabling legislation.

N. FUND BALANCE

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

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

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

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

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

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

O. INTERFUND TRANSACTIONS

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No.66, "Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62". The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Village.

GASB Statement No.69, "Government Combinations and Disposals of Government Operations". The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Village.

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. . As used in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Village.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

	General Fund	Detroit Road TIF Fund
Budget basis	\$ 63,838	151,113
Adjustments, increase (decrease)		
Funds budgeted elsewhere **	(6,513)	-
Cash basis, as reported	\$ 57,325	\$ 151,113

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

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 – FUND BALANCES

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

	General Fund	Capital Improvements Fund	Detroit Road TIF Fund	Other Governmental Funds	Total Governmental Funds
Fund balances					
Restricted for:					
Security of persons and property	\$ -	\$ -	\$ -	\$ 56,057	\$ 56,057
Highways and streets	-	-	-	5,983	5,983
Capital projects	-	-	266,399	-	266,399
Debt service	-	-	-	94,219	94,219
Other	-	-	-	327	327
	<u>-</u>	<u>-</u>	<u>266,399</u>	<u>156,586</u>	<u>422,985</u>
Assigned					
Recreation	498	-	-	-	498
Solid waste management	667	-	-	-	667
	<u>1,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165</u>
Unassigned	<u>1,210,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,210,860</u>
Total fund balances	<u>\$ 1,212,025</u>	<u>\$ -</u>	<u>\$ 266,399</u>	<u>\$ 156,586</u>	<u>\$ 1,635,010</u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 2,534,516 and the bank balance was \$ 2,574,987. Of the bank balance \$ 631,525 was covered by Federal depository insurance and \$ 1,943,462 was uninsured. Of the remaining balance, \$ 1,943,462 was collateralized with securities held by the pledging institution's trust department, not in the Village's name.

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

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 – INCOME TAXES

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2014, was \$ 5.35 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

	2014 Collection Year
Property valuation consisted of:	
Real property	\$ 152,170,910
Public utility property	5,024,780
Total valuation	\$ 157,195,690

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - RISK MANAGEMENT

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

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2014, the Pool's retention levels are \$100,000 and \$175,000 for property and casualty coverage, respectively. The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements. The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2014 and 2013:

	2014	2013
Assets	\$ 1,030,198	\$ 833,561
Liabilities	(882,203)	(782,525)
Accumulated surplus	\$ 147,995	\$ 51,036

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

VILLAGE OF SHEFFIELD, OHIO
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FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014 member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2014 member contribution rates were 10.0% of earnable salary for members in state and local classifications. Public safety and law enforcement members contributed 12.0% and 13.0%, respectively. The 2014 employer contribution rate for state and local employers was 14.0% of earnable salary. The law enforcement and public safety division employer contribution rate was 18.10% of earnable salary.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012, were \$ 169,748, \$ 167,298, and \$ 119,376, respectively. For 2014, \$ 157,131 (92.6%) has been contributed. The balance was subsequently contributed in 2015. The full amount has been contributed for 2013 and 2012.

B. OHIO POLICE AND FIRE PENSION FUND

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

Plan members are required to contribute 10.75% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters.

The Village's contributions to OP&F for police and firefighters pensions, respectively, were \$ 122,525 and \$ 196,359 for the year ended December 31, 2014, \$ 87,268 and \$ 145,211 for the year ended December 31, 2013, and \$ 79,591 and \$ 131,282 for the year ended December 31, 2012. The full amount has been contributed for 2013 and 2012. For 2014, \$ 110,450 (90.1%) and \$ 175,975 (89.6%) has been contributed for police and firefighters pensions, respectively. The balance was subsequently paid in 2015.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employer units contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not fund the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Plan and the Combine Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to fund postemployment benefits for the years ended December 31, 2014, 2013, and 2012, were \$ 28,278, \$ 12,869, and \$ 41,651, respectively. For 2014, \$ 26,176 (92.6%) has been contributed. The balance was subsequently contributed in 2015. The full amount has been contributed for 2013 and 2012.

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

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

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

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

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 2.85% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's actual contributions to fund postemployment health care benefits for police and firefighters, respectively, were \$ 20,973 and \$ 26,460 for the year ended December 31, 2014, \$ 46,201 and \$ 56,822 for the year ended December 31, 2013, and \$ 42,136 and \$ 51,371 for the year ended December 31, 2012. The full amount has been contributed for 2013 and 2012. For 2014, \$ 18,906 (90.1%) and \$ 23,713 (89.6%) has been contributed for police and firefighters, respectively. The balance was subsequently paid in 2015.

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - NOTES PAYABLE

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

	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Due in One Year
Governmental activities					
Street improvements					
2013, .739%	\$ 775,000	\$ -	\$ 775,000	\$ -	\$ -
	<u>\$ 775,000</u>	<u>\$ -</u>	<u>\$ 775,000</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 13 - DEBT

The changes in the Village's long-term debt during 2014 were as follows:

	Outstanding 12/31/2013	Additions	Payments	Outstanding 12/31/2014	Due in One Year
<u>Governmental activities</u>					
General obligation bonds					
Municipal complex improvements (2002)					
Varying % through 2022	\$ 1,125,000	\$ -	\$ 1,125,000	\$ -	\$ -
Street improvement (2005)					
Varying % through 2025	1,700,000	-	1,585,000	115,000	115,000
Various purposed (2014)					
Varying % through 2031	-	3,540,000	165,000	3,375,000	185,000
Total general obligation bonds	<u>2,825,000</u>	<u>3,540,000</u>	<u>2,875,000</u>	<u>3,490,000</u>	<u>300,000</u>
Special assessment bonds					
with governmental commitment					
Various purpose (1999)					
Varying % through 2019	295,000	-	40,000	255,000	45,000
Total special assessment bonds	<u>295,000</u>	<u>-</u>	<u>40,000</u>	<u>255,000</u>	<u>45,000</u>
Ohio Public Works Commission (OPWC)					
Road resurfacing (2007)					
0% through 2026	1,655	-	132	1,523	132
County engineer loan payable	210,000	-	30,000	180,000	30,000
Total governmental activities	<u>\$ 3,331,655</u>	<u>\$ 3,540,000</u>	<u>\$ 2,945,132</u>	<u>\$ 3,926,523</u>	<u>\$ 375,132</u>

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 – DEBT (continued)

	Beg. Bal. 12/31/2013	Additions	Payments	End. Bal. 12/31/2014	Due in One Year
<u>Business-type activities</u>					
Special assessment bonds					
with governmental commitment					
Sewer improvements (1994)					
6.750% through 2015	\$ 70,000	\$ -	\$ 35,000	\$ 35,000	\$ 35,000
Sewer improvements (1996)					
various % through 2016	125,000	-	40,000	85,000	40,000
Waterline improvements (1997)					
various % through 2017	13,000	-	3,000	10,000	3,000
Total special assessment bonds	<u>208,000</u>	<u>-</u>	<u>78,000</u>	<u>130,000</u>	<u>78,000</u>
Ohio Public Works Commission (OPWC)					
Water Main Replacement, Phase I (1999)					
0% through 2019	12,678	-	2,305	10,373	2,305
Water Main Replacement, Phase II (1999)					
0% through 2019	20,625	-	3,750	16,875	3,750
Water Main Replacement (2002)					
0% through 2022	35,872	-	4,484	31,388	4,484
Water Line Replacement (2010)					
0% through 2030	56,189	-	4,682	51,507	4,682
Water Line Replacement (2006)					
0% through 2026	78,985	-	4,787	74,198	4,787
Water Line Replacement (2010)					
0% through 2040	45,701	-	1,725	43,976	1,725
Total OPWC loans	<u>250,050</u>	<u>-</u>	<u>21,733</u>	<u>228,317</u>	<u>21,733</u>
Ohio Water Development Authority (OWDA)					
Sanitary sewer refinancing (1997)					
4.160% through 2016	50,382	-	19,536	30,846	20,357
Total business-type activities	<u>\$ 508,432</u>	<u>\$ -</u>	<u>\$ 119,269</u>	<u>\$ 389,163</u>	<u>\$ 120,090</u>

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 – DEBT (continued)

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

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

Year	Governmental Activities			
	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 300,000	\$ 153,977	\$ 45,000	\$ 15,300
2016	310,000	73,625	50,000	12,600
2017	320,000	67,425	50,000	9,600
2018	320,000	61,025	55,000	6,600
2019	320,000	54,625	55,000	3,300
2020 - 2024	1,395,000	173,212	-	-
2025- 2029	415,000	45,488	-	-
2030 - 2034	110,000	5,363	-	-
	<u>\$ 3,490,000</u>	<u>\$ 634,740</u>	<u>\$ 255,000</u>	<u>\$ 47,400</u>

Year	Governmental Activities			
	OPWC loans	County Engineer	Total	
	Principal	Principal	Principal	Interest
2015	\$ 132	\$ 30,000	\$ 375,132	\$ 169,277
2016	132	30,000	390,132	86,225
2017	132	30,000	400,132	77,025
2018	132	30,000	405,132	67,625
2019	132	30,000	405,132	57,925
2020 - 2024	665	30,000	1,425,665	173,212
2025- 2029	198	-	415,198	45,488
2030 - 2034	-	-	110,000	5,363
	<u>\$ 1,523</u>	<u>\$ 180,000</u>	<u>\$ 3,926,523</u>	<u>\$ 682,140</u>

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

Year	Business-type Activities			
	Special Assessment Bonds		OWDA loans	
	Principal	Interest	Principal	Interest
2015	\$ 78,000	\$ 7,998	\$ 20,357	\$ 1,074
2016	48,000	3,084	10,489	226
2017	4,000	232	-	-
2018	-	-	-	-
2019	-	-	-	-
2020 - 2024	-	-	-	-
2025 - 2029	-	-	-	-
2030 - 2034	-	-	-	-
2035 - 2039	-	-	-	-
2040 - 2044	-	-	-	-
	<u>\$ 130,000</u>	<u>\$ 11,314</u>	<u>\$ 30,846</u>	<u>\$ 1,300</u>

Year	Business-type Activities		
	OPWC loans	Total	
	Principal	Principal	Interest
2015	\$ 21,733	\$ 120,090	\$ 9,072
2016	21,733	80,222	3,310
2017	21,733	25,733	232
2018	21,733	21,733	-
2019	18,706	18,706	-
2020 - 2024	64,942	64,942	-
2025 - 2029	37,242	37,242	-
2030 - 2034	11,013	11,013	-
2035 - 2039	8,620	8,620	-
2040 - 2044	862	862	-
	<u>\$ 228,317</u>	<u>\$ 389,163</u>	<u>\$ 12,614</u>

NOTE 14 – ADVANCE REFUNDING AND DEFEASED DEBT

During 2014, the Village advance refunded two general obligation bond issues with a new various purpose general obligation bond issue. The Village issued \$ 3,540,000 of general obligation bonds for various capital improvements and to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased. The defeased bonds consisted of \$ 1,125,000 general obligation bonds issued in 2002 for municipal complex improvements and \$ 1,475,000 general obligation bonds issued in 2005 for street improvements. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$ 274,115 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$ 244,430. At December 31, 2014, outstanding general obligation bonds of \$ 2,600,000 are considered to be defeased.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - INTERFUND TRANSFERS

The General Fund transfers to the Capital Projects Fund and to other non-major governmental funds were made to provide additional resources for capital improvements and current operations. The French Creek TIF Fund, a non-major governmental fund, transferred \$ 90,883 for debt service.

	Tranferred From:		
	General Fund	Non-major Governmental Funds	Total
Transfer to:			
Capital Improvements Fund	\$ 378,320	\$ -	\$ 378,320
Non-major governmental funds	175,158	90,883	266,041
	\$ 553,478	\$ 90,883	\$ 644,361

NOTE 16 - LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$ 357,517 to pay lease costs for the year ended December 31, 2014. Future lease payments are as follows:

Year End	Total
2015	\$ 357,516
2016	330,549
2017	34,363
2018	29,731
	\$ 752,159

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued.

NOTE 18 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. 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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

This discussion and analysis of the Village of Sheffield, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2013, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Financial Highlights

Key highlights for 2013 are as follows

Net position of governmental activities increased \$ 395,835 or 33.1 percent over 2012. This was the result of increases of \$ 176,713 in the General Fund, \$ 39,533 in the Capital Projects Fund and a net increase of \$ 179,589 in the Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes, note proceeds, property and other local taxes and intergovernmental revenue. These receipts represent respectively 49.9 percent, 11.0 percent, 10.6 percent and 7.8 percent of the total cash received for governmental activities during the year.

Net position of business-type activities increased \$ 90,925 from 2012. Net position decreased in the Water Fund by \$ 40,201 and increased in the Sewer Fund and Storm Water Fund by \$ 48,599 and \$ 82,527 respectively.

Using the Basic Financial Statements

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

Report Components

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

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

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

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

Basis of Accounting

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

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities reflect how the Village did financially during 2013, within the limitations of cash basis accounting. The Statement of Net Position presents the equity in pooled cash of the governmental and business-type activities of the Village at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

Fund Financial Statements

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

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

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2013 compared to 2012 on a cash basis.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Equity in pooled cash	\$ 1,590,670	\$ 1,194,835	\$ 1,362,034	\$ 1,271,109	\$ 2,952,704	\$ 2,465,944
Total assets	\$ 1,590,670	\$ 1,194,835	\$ 1,362,034	\$ 2,993,746	\$ 2,952,704	\$ 2,465,944
Net position						
Restricted for:						
Capital projects	\$ 229,824	\$ 30,488	\$ -	\$ -	\$ 229,824	\$ 30,488
Debt service	93,481	93,401	-	-	93,481	93,401
Other purposes	112,665	92,959	-	-	112,665	92,959
Unrestricted	1,154,700	977,987	1,362,034	1,271,109	2,516,734	2,249,096
Total net position	\$ 1,590,670	\$ 1,194,835	\$ 1,362,034	\$ 1,271,109	\$ 2,952,704	\$ 2,465,944

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

As mentioned previously, net position of governmental activities increased \$ 395,835 or 33.1 percent during 2013.

Table 2 reflects the changes in net position in 2013 compared to 2012 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Receipts						
Program receipts						
Charges for services	\$ 849,421	\$ 764,498	\$ 1,372,901	\$ 1,424,028	\$ 2,222,322	\$ 2,188,526
Operating grants and contributions	29,368	9,666	-	-	29,368	9,666
Capital grants and contributions	572,027	590,129	53,810	9,350	625,837	599,479
Total program receipts	<u>1,450,816</u>	<u>1,364,293</u>	<u>1,426,711</u>	<u>1,433,378</u>	<u>2,877,527</u>	<u>2,797,671</u>
General receipts						
Property and other local taxes	750,342	552,130	-	-	750,342	552,130
Payments in lieu of taxes	162,224	204,617	-	-	162,224	204,617
Municipal income taxes	3,522,977	3,536,867	-	-	3,522,977	3,536,867
Grants and entitlements	389,898	810,977	-	-	389,898	810,977
Notes issued	775,000	775,000	-	-	775,000	775,000
Interest	558	578	-	-	558	578
Other	6,241	7,203	-	-	6,241	7,203
Total general receipts	<u>5,607,240</u>	<u>5,887,372</u>	<u>-</u>	<u>-</u>	<u>5,607,240</u>	<u>5,887,372</u>
Total receipts	<u>7,058,056</u>	<u>7,251,665</u>	<u>1,426,711</u>	<u>1,433,378</u>	<u>8,484,767</u>	<u>8,685,043</u>

(continued)

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

Table 2
Change in Net Position
(Continued)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program cash disbursements						
Security of persons						
and property	\$ 3,455,225	\$ 2,908,999	\$ -	\$ -	\$ 3,455,225	\$ 2,908,999
Leisure time activities	28,654	38,857	-	-	28,654	38,857
Community environment	6,841	8,335	-	-	6,841	8,335
Basic utility services	65,341	59,111	-	-	65,341	59,111
Transportation	265,060	294,557	-	-	265,060	294,557
General government	1,222,414	1,022,736	-	-	1,222,414	1,022,736
Capital outlay	283,998	1,678,206	-	-	283,998	1,678,206
Principal	1,136,879	1,099,365	-	-	1,136,879	1,099,365
Interest and fiscal charges	197,809	214,001	-	-	197,809	214,001
Water	-	-	590,754	582,409	590,754	582,409
Sewer	-	-	560,435	597,757	560,435	597,757
Storm water sewer	-	-	184,597	214,453	184,597	214,453
Total program disbursements	<u>6,662,221</u>	<u>7,324,167</u>	<u>1,335,786</u>	<u>1,394,619</u>	<u>7,998,007</u>	<u>8,718,786</u>
Increase (decrease)						
in net assets	395,835	(72,502)	90,925	38,759	486,760	(33,743)
Net position, at beginning						
of year	<u>1,194,835</u>	<u>1,267,337</u>	<u>1,271,109</u>	<u>1,232,350</u>	<u>2,465,944</u>	<u>2,499,687</u>
Net position,						
at end of year	<u>\$ 1,590,670</u>	<u>\$ 1,194,835</u>	<u>\$ 1,362,034</u>	<u>\$ 1,271,109</u>	<u>\$ 2,952,704</u>	<u>\$ 2,465,944</u>

Governmental Activities

Program receipts represent 20.6 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 79.4 percent of the Village's total receipts of governmental activities, and of this amount, 60.5 percent are property and municipal income taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

If you look at the Statement of Activities on page 54, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, principal payments, and general government which account for 51.9 percent, 16.6 percent, and 18.3 percent, of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	<u> </u>	<u> </u>
Governmental activities		
Security of persons and property	\$ 3,455,225	\$ (2,885,120)
Leisure time activities	28,654	(9,354)
Community environment	6,841	4,719
Basic utility services	65,341	(65,341)
Transportation	265,060	(265,060)
General government	1,222,414	(937,987)
Capital outlay	283,998	124,338
Principal	1,136,879	(1,019,772)
Interest and fiscal charges	197,809	(157,828)
Total governmental activities	<u>\$ 6,662,221</u>	<u>\$ (5,211,405)</u>

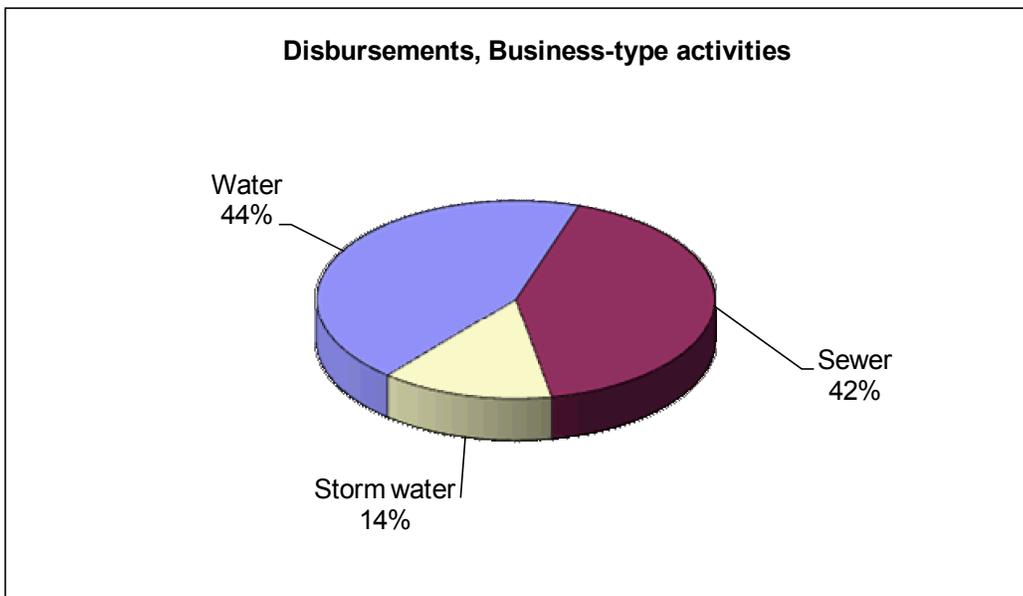
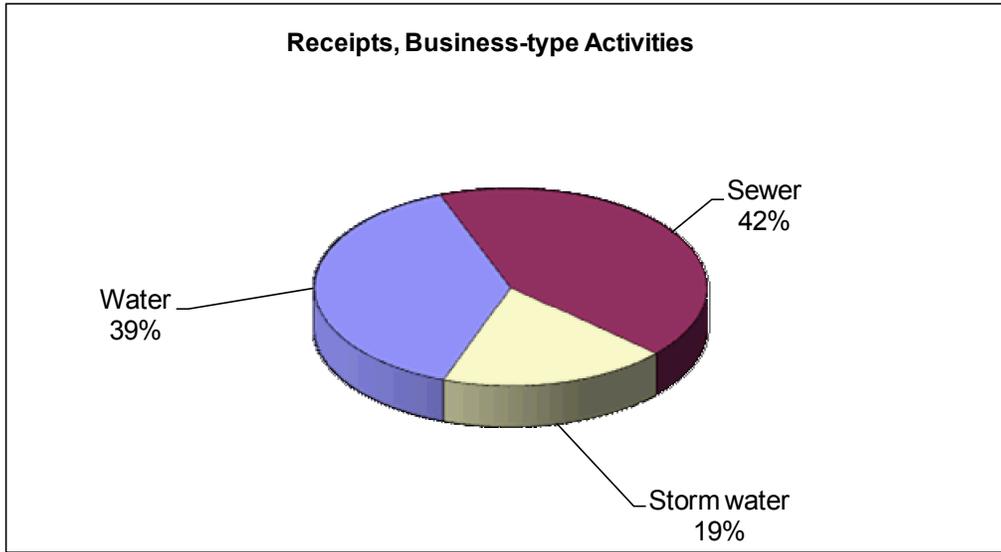
The dependence upon property and income tax receipts is apparent as 64.1 percent of governmental activities are supported through these general receipts.

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

Business-type Activities

The primary source of receipts for the business-type activities is charges for services, which was 96.2 percent of total receipts.



VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

The Village's Funds

Total governmental funds had revenues of \$ 6,283,056, disbursements of \$ 6,662,221 and other financing sources of \$ 775,000. The greatest changes within governmental funds occurred within the General Fund, which increased \$ 176,713.

General Fund Budgeting Highlights

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

During 2013, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 722 lower than original budgeted receipts. Actual receipts were greater than final budgeted amount by \$ 124,411.

Original and final appropriations, including transfers out were \$ 5,106,106. Actual disbursements, including transfers out were \$ 271,605 less than the final budgeted amount.

Capital Assets

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

Debt

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

	Governmental Activities		Business- type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds						
General obligation	\$ 2,825,000	\$ 3,030,000	\$ -	\$ -	\$ 2,825,000	\$ 3,030,000
Special assessment	295,000	335,000	208,000	276,000	503,000	611,000
OWDA loan	-	-	50,382	69,129	50,382	69,129
OPWC loan	1,655	1,787	250,050	271,783	251,705	273,570
Note payable	210,000	240,000	-	-	210,000	240,000
	<u>\$ 3,331,655</u>	<u>\$ 3,606,787</u>	<u>\$ 508,432</u>	<u>\$ 616,912</u>	<u>\$ 3,840,087</u>	<u>\$ 4,223,699</u>

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

VILLAGE OF SHEFFIELD
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

Current Issues

The Village had previously passed a 5 year ½% income tax levy making the income tax rate equal to 2%. The purpose of the levy was for services provided by Police, Fire and the general operations of the village. That levy was due to expire in May of 2014. In November 2013, the voters approved to make that a continuing levy maintaining indefinitely the 2% income tax rate.

The Village has been in discussion to attempt to provide sewers to the northern area of the Village in order to attract development and also to provide sewers to a new \$ 31,000,000 school building. Construction of the new school began in 2013, with an expected 2015 completion date. The two year construction of the school will generate substantial new income tax revenue. The engineering and design of the sewer has been completed. The Village is now in the process of applying for funding assistance in the way of grants and low interest loans through the OPWC, OWDA and other entities. Without adequate funding assistance the project will not move forward at this time.

The Village has been in discussion with the City of North Ridgeville regarding disputed sewer usage billings. North Ridgeville has agreed that they have over billed the Village due to problems with how usage has been calculated. At this time, the Village has been billed approximately \$ 250,000 which remains unpaid until it is determined how much of that billing is actually due.

The Village has also seen some increase in commercial activity in 2013. A new Panera Bread store has been constructed and is now open for business. Also two new hotels have been through Planning Commission, a Holiday Inn and a Hilton – Homewood Suites. The Homewood Suites has already broken ground with a projected opening of the fall of 2014. Also through Planning Commission has been approval for construction of a Dollar Tree and also proposed is a new AutoZone store.

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

Contacting the Village's Financial Management

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

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VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 1,590,670	\$ 1,362,034	\$ 2,952,704
Total assets	\$ 1,590,670	\$ 1,362,034	\$ 2,952,704
Net position			
Restricted for:			
Capital projects	\$ 229,824	\$ -	\$ 229,824
Debt service	93,481	-	93,481
Highways and streets	44,111	-	44,111
Security of persons and property	66,744	-	66,744
Other	1,810		1,810
Unrestricted	1,154,700	1,362,034	2,516,734
Total net position	\$ 1,590,670	\$ 1,362,034	\$ 2,952,704

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 3,455,225	\$ 547,447	\$ 22,658	\$ -
Leisure time activities	28,654	19,300	-	-
Community environment	6,841	4,850	6,710	-
Basic utility services	65,341	-	-	-
Transportation	265,060	-	-	-
General government	1,222,414	277,824	-	6,603
Capital outlay	283,998	-	-	408,336
Principal	1,136,879	-	-	117,107
Interest and fiscal charges	197,809	-	-	39,981
Total governmental activities	<u>6,662,221</u>	<u>849,421</u>	<u>29,368</u>	<u>572,027</u>
Business-type activities				
Water	590,754	540,328	-	10,225
Sewer	560,435	565,449	-	43,585
Storm water sewer	184,597	267,124	-	-
Total business-type activities	<u>1,335,786</u>	<u>1,372,901</u>	<u>-</u>	<u>53,810</u>
Total	<u>\$ 7,998,007</u>	<u>\$ 2,222,322</u>	<u>\$ 29,368</u>	<u>\$ 625,837</u>

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

Change in net assets

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,885,120)	\$ -	\$ (2,885,120)
(9,354)	-	(9,354)
4,719	-	4,719
(65,341)	-	(65,341)
(265,060)	-	(265,060)
(937,987)	-	(937,987)
124,338	-	124,338
(1,019,772)	-	(1,019,772)
(157,828)	-	(157,828)
<u>(5,211,405)</u>	<u>-</u>	<u>(5,211,405)</u>
-	(40,201)	(40,201)
-	48,599	48,599
-	82,527	82,527
-	90,925	90,925
<u>(5,211,405)</u>	<u>90,925</u>	<u>(5,120,480)</u>
504,903	-	504,903
245,439	-	245,439
162,224	-	162,224
3,522,977	-	3,522,977
389,898	-	389,898
775,000	-	775,000
558	-	558
6,241	-	6,241
<u>5,607,240</u>	<u>-</u>	<u>5,607,240</u>
395,835	90,925	486,760
<u>1,194,835</u>	<u>1,271,109</u>	<u>2,465,944</u>
<u>\$ 1,590,670</u>	<u>\$ 1,362,034</u>	<u>\$ 2,952,704</u>

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 1,154,700	\$ 70,021	\$ 365,949	\$ 1,590,670
Total assets	<u>\$ 1,154,700</u>	<u>\$ 70,021</u>	<u>\$ 365,949</u>	<u>\$ 1,590,670</u>
Fund balances				
Restricted	\$ -	\$ 70,021	\$ 365,949	\$ 435,970
Assigned	7,678	-	-	7,678
Unassigned	1,147,022	-	-	1,147,022
Total fund balances	<u>\$ 1,154,700</u>	<u>\$ 70,021</u>	<u>\$ 365,949</u>	<u>\$ 1,590,670</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and other taxes	\$ 504,903	\$ -	\$ 245,439	\$ 750,342
Payments in lieu of taxes	-	-	162,224	162,224
Municipal income tax	3,522,977	-	-	3,522,977
Intergovernmental	163,694	408,336	255,572	827,602
Special assessments	-	-	163,691	163,691
Charges for services	197,290	-	4,850	202,140
Fines, licenses and permits	532,777	-	13,107	545,884
Interest	554	-	4	558
Miscellaneous	107,638	-	-	107,638
Total revenues	<u>5,029,833</u>	<u>408,336</u>	<u>844,887</u>	<u>6,283,056</u>
Expenditures				
Current				
Security of persons and property	3,134,023	-	321,202	3,455,225
Leisure time activities	28,654	-	-	28,654
Community environment	-	-	6,841	6,841
Basic utility services	65,341	-	-	65,341
Transportation	-	-	265,060	265,060
General government	1,213,390	-	9,024	1,222,414
Capital outlay	156,893	47,908	79,197	283,998
Debt service				
Principal	-	1,010,000	126,879	1,136,879
Interest and fiscal charges	-	157,828	39,981	197,809
Total disbursements	<u>4,598,301</u>	<u>1,215,736</u>	<u>848,184</u>	<u>6,662,221</u>
Excess of receipts over (under) disbursements	<u>431,532</u>	<u>(807,400)</u>	<u>(3,297)</u>	<u>(379,165)</u>
Other financing sources (uses)				
Notes issued	-	775,000	-	775,000
Transfers-in	-	71,933	182,886	254,819
Transfers-out	(254,819)	-	-	(254,819)
Total other financing sources (uses)	<u>(254,819)</u>	<u>846,933</u>	<u>182,886</u>	<u>775,000</u>
Net change in fund balances	176,713	39,533	179,589	395,835
Fund balances at beginning of year	<u>977,987</u>	<u>30,488</u>	<u>186,360</u>	<u>1,194,835</u>
Fund balances at end of year	<u>\$ 1,154,700</u>	<u>\$ 70,021</u>	<u>\$ 365,949</u>	<u>\$ 1,590,670</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2013

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Property and other taxes	\$ 572,395	\$ 572,395	\$ 504,903	\$ (67,492)
Municipal income tax	3,630,868	3,630,868	3,522,977	(107,891)
Intergovernmental	110,877	110,155	156,984	46,829
Charges for services	96,252	96,252	197,290	101,038
Fines, licenses and permits	387,512	387,512	532,777	145,265
Interest	523	523	554	31
Miscellaneous	81,707	81,707	88,338	6,631
Total revenues	<u>4,880,134</u>	<u>4,879,412</u>	<u>5,003,823</u>	<u>124,411</u>
Expenditures				
Personnel costs	2,387,853	2,405,579	2,405,579	-
Other	2,716,951	2,699,225	2,428,922	270,303
Total disbursements	<u>5,104,804</u>	<u>5,104,804</u>	<u>4,834,501</u>	<u>270,303</u>
Net change in fund balances	(224,670)	(225,392)	169,322	394,714
Prior year encumbrances appropriated	-	-	-	-
Fund balances at beginning of year	<u>977,700</u>	<u>977,700</u>	<u>977,700</u>	<u>-</u>
Fund balances at end of year	<u>\$ 753,030</u>	<u>\$ 752,308</u>	<u>\$ 1,147,022</u>	<u>\$ 394,714</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Water	Sewer	Storm Water	Total Enterprise Funds
Assets				
Equity in pooled cash	\$ 249,006	\$ 624,256	\$ 488,772	\$ 1,362,034
Total assets	<u>\$ 249,006</u>	<u>\$ 624,256</u>	<u>\$ 488,772</u>	<u>\$ 1,362,034</u>
Net position				
Unrestricted	\$ 249,006	\$ 624,256	\$ 488,772	\$ 1,362,034
Total net position	<u>\$ 249,006</u>	<u>\$ 624,256</u>	<u>\$ 488,772</u>	<u>\$ 1,362,034</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2013

	Water	Sewer	Storm Water	Total Enterprise Funds
Operating receipts				
Charges for services	\$ 534,996	\$ 565,449	\$ 267,124	\$ 1,367,569
Miscellaneous	5,332	-	-	5,332
Total operating receipts	<u>540,328</u>	<u>565,449</u>	<u>267,124</u>	<u>1,372,901</u>
Operating disbursements				
Personal services	251,798	125,113	106,733	483,644
Contractual services	217,248	251,044	2,232	470,524
Materials and supplies	80,491	29,005	59,271	168,767
Total operating disbursements	<u>549,537</u>	<u>405,162</u>	<u>168,236</u>	<u>1,122,935</u>
Operating income (loss)	<u>(9,209)</u>	<u>160,287</u>	<u>98,888</u>	<u>249,966</u>
Non-operating receipts/disbursements				
Capital outlay	(19,484)	(155,273)	(16,361)	(191,118)
Principal paid	(21,733)	-	-	(21,733)
Total non-operating receipts/disbursements	<u>(41,217)</u>	<u>(155,273)</u>	<u>(16,361)</u>	<u>(212,851)</u>
Income (loss) before contributions	(50,426)	5,014	82,527	37,115
Capital contributions - tap fees	<u>10,225</u>	<u>43,585</u>	<u>-</u>	<u>53,810</u>
Change in net position	(40,201)	48,599	82,527	90,925
Net position at beginning of year	<u>289,207</u>	<u>575,657</u>	<u>406,245</u>	<u>1,271,109</u>
Net position at end of year	<u>\$ 249,006</u>	<u>\$ 624,256</u>	<u>\$ 488,772</u>	<u>\$ 1,362,034</u>

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2013

	Agency
Assets	
Equity in pooled cash	\$ 24,634
Total assets	24,634
Net position	
Unrestricted	24,634
Total net position	\$ 24,634

See accompanying notes to the basic financial statements

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VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

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

Government-Wide Financial Statements

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

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

Fund Financial Statements

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

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

B. FUND ACCOUNTING

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

Governmental Funds

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

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

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

C. BASIS OF ACCOUNTING

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS

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

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

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

E. CASH AND INVESTMENTS

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

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 was \$ 554 which includes \$ 359 assigned from other Village funds.

F. RESTRICTED ASSETS

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

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. LONG-TERM OBLIGATIONS

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

M. NET POSITION

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

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government wide statement of net position for governmental activities includes restricted net position of \$ 435,970, none of which is restricted by enabling legislation.

N. FUND BALANCE

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

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

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

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

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

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

O. INTERFUND TRANSACTIONS

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 61, “The Financial Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34”. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation, and certain disclosure requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Village.

GASB Statement Number 65, “Items Previously Reported as Assets and Liabilities.” This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Village. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Village.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

	<u>General Fund</u>
Budget basis	\$ 169,322
Adjustments, increase (decrease)	
Funds budgeted elsewhere **	<u>7,391</u>
Cash basis, as reported	<u>\$ 176,713</u>

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

NOTE 5 – FUND BALANCES

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances				
Restricted for:				
Security of persons and property	\$ -	\$ -	\$ 66,744	\$ 66,744
Highways and streets	-	-	44,111	44,111
Capital projects	-	70,021	159,803	229,824
Debt service	-	-	93,481	93,481
Other	-	-	1,810	1,810
	<u>-</u>	<u>70,021</u>	<u>365,949</u>	<u>435,970</u>
Assigned to:				
Other	<u>7,678</u>	<u>-</u>	<u>-</u>	<u>7,678</u>
Unassigned	<u>1,147,022</u>	<u>-</u>	<u>-</u>	<u>1,147,022</u>
Total fund balances	<u>\$ 1,154,700</u>	<u>\$ 70,021</u>	<u>\$ 365,949</u>	<u>\$ 1,590,670</u>

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 2,977,338 and the bank balance was \$ 3,050,495. Of the bank balance \$ 1,040,806 was covered by Federal depository insurance and \$ 2,009,689 was uninsured. Of the remaining balance, \$ 2,009,689 was collateralized with securities held by the pledging institution's trust department, not in the Village's name.

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

NOTE 7 – INCOME TAXES

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 8 - PROPERTY TAXES (continued)

The full tax rate for all Village operations for the year ended December 31, 2013, was \$ 3.60 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

	2013 Collection Year
Property valuation consisted of:	
Real property	\$ 154,499,480
Public utility property	4,499,280
Total valuation	\$ 158,998,760

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

NOTE 9 - RISK MANAGEMENT

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

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2013, the Pool's retention levels are \$100,000 and \$175,000 for property and casualty coverage, respectively. The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements. The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at March 31, 2013 and 2012:

	2013	2012
Assets	\$ 833,561	\$ 1,097,683
Liabilities	(782,525)	(791,222)
Accumulated surplus	\$ 51,036	\$ 306,461

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2013 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 12.0% and 12.6%, respectively. The 2013 employer contribution rate for state and local employers was 14.0% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011, were \$ 167,298, \$ 119,376, and \$ 111,269, respectively. For 2013, \$ 155,527 (93.0%) has been contributed. The balance was subsequently contributed in 2014. The full amount has been contributed for 2012 and 2011.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

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

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

The Village's contributions to OP&F for police and firefighters pensions, respectively, were \$ 87,268 and \$ 145,211 for the year ended December 31, 2013, \$ 79,591 and \$ 131,282 for the year ended December 31, 2012 and \$ 77,001 and \$ 131,468 for the year ended December 31, 2011, and \$ 67,092 and \$ 158,382 for the year ended December 31, 2010. The full amount has been contributed for 2012 and 2011. For 2013, \$ 80,167 (91.9%) and \$ 132,853 (91.5%) has been contributed for police and firefighters pensions, respectively. The balance was subsequently paid in 2014.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employer units contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and the Combine Plans was 1.0% during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to fund postemployment benefits for the years ended December 31, 2013, 2012, and 2011, were \$ 12,869, \$ 41,651, and \$ 44,505, respectively. For 2013, \$ 11,964 (93.0%) has been contributed. The balance was subsequently contributed in 2014. The full amount has been contributed for 2012 and 2011.

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

B. OHIO POLICE AND FIRE PENSION FUND

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

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2013, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's actual contributions to fund postemployment health care benefits for police and firefighters, respectively, were \$ 46,201 and \$ 56,822 for the year ended December 31, 2013, \$ 42,136 and \$ 51,371 for the year ended December 31, 2012, and \$ 40,765 and \$ 51,444 for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. For 2013, \$ 42,441 (91.9%) and \$ 51,986 (91.5%) has been contributed for police and firefighters, respectively. The balance was subsequently paid in 2014.

NOTE 12 - NOTES PAYABLE

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

	<u>Outstanding 12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2013</u>	<u>Due in One Year</u>
Governmental activities					
Street improvements					
2012, .948%	\$ 775,000	\$ -	\$ 775,000	\$ -	\$ -
2013, .739%	-	775,000	-	775,000	775,000
	<u>\$ 775,000</u>	<u>\$ 775,000</u>	<u>\$ 775,000</u>	<u>\$ 775,000</u>	<u>\$ 775,000</u>

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13 - DEBT

The changes in the Village's long-term debt during 2013 were as follows:

	Beg. Bal. <u>12/31/2012</u>	<u>Additions</u>	<u>Payments</u>	End. Bal. <u>12/31/2013</u>	Due w/in <u>1 Year</u>
<u>Governemental activities</u>					
General obligation bonds					
Municipal complex improvements (2002)					
Varying % through 2022	\$ 1,220,000	\$ -	\$ 95,000	\$ 1,125,000	\$ 100,000
Street improvement (2005)					
Varying % through 2025	<u>1,810,000</u>	-	<u>110,000</u>	<u>1,700,000</u>	<u>110,000</u>
Total general obligation bonds	<u>3,030,000</u>	-	<u>205,000</u>	<u>2,825,000</u>	<u>210,000</u>
Special assessment bonds with governmental commitment					
Various purpose (1999)					
Varying % through 2019	<u>335,000</u>	-	<u>40,000</u>	<u>295,000</u>	<u>40,000</u>
Total special assessment bonds	<u>335,000</u>	-	<u>40,000</u>	<u>295,000</u>	<u>40,000</u>
Ohio Public Works Commission (OPWC)					
Road resurfacing (2007)					
0% through 2026	<u>1,787</u>	-	<u>132</u>	<u>1,655</u>	<u>132</u>
County engineer loan payable	<u>240,000</u>	-	<u>30,000</u>	<u>210,000</u>	<u>30,000</u>
Total governmental activities	<u>\$ 3,606,787</u>	<u>\$ -</u>	<u>\$ 275,132</u>	<u>\$ 3,331,655</u>	<u>\$ 280,132</u>

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13 – DEBT (continued)

	Beg. Bal. 12/31/2012	Additions	Payments	End. Bal. 12/31/2013	Due w/in 1 Year
<u>Business-type activities</u>					
Special assessment bonds with governmental commitment					
Sewer improvements (1994) 6.750% through 2015	\$ 100,000	\$ -	\$ 30,000	\$ 70,000	\$ 35,000
Sewer improvements (1996) various % through 2016	160,000	-	35,000	125,000	40,000
Waterline improvements (1997) various % through 2017	16,000	-	3,000	13,000	3,000
Total special assessment bonds	<u>276,000</u>	<u>-</u>	<u>68,000</u>	<u>208,000</u>	<u>78,000</u>
Ohio Public Works Commission (OPWC)					
Water Main Replacement, Phase I (1999) 0% through 2019	14,983	-	2,305	12,678	2,305
Water Main Replacement, Phase II (1999) 0% through 2019	24,375	-	3,750	20,625	3,750
Water Main Replacement, Phase (2002) 0% through 2022	40,356	-	4,484	35,872	4,484
Water Line Replacement (2010) 0% through 2030	60,871	-	4,682	56,189	4,682
Water Line Replacement (2006) 0% through 2026	83,772	-	4,787	78,985	4,787
Water Line Replacement (2010) 0% through 2040	47,426	-	1,725	45,701	1,725
Total OPWC loans	<u>271,783</u>	<u>-</u>	<u>21,733</u>	<u>250,050</u>	<u>21,733</u>
Ohio Water Development Authority (OWDA)					
Sanitary sewer refinancing (1997) 4.160% through 2016	69,129	-	18,747	50,382	19,536
Total business-type activities	<u>\$ 616,912</u>	<u>\$ -</u>	<u>\$ 108,480</u>	<u>\$ 508,432</u>	<u>\$ 119,269</u>

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13 – DEBT (continued)

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

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

Year	Governmental Activities			
	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 210,000	\$ 138,928	\$ 40,000	\$ 17,700
2015	220,000	129,578	45,000	15,300
2016	230,000	119,662	50,000	12,600
2017	245,000	106,712	50,000	9,600
2018	255,000	92,925	55,000	6,600
2019 - 2023	1,315,000	237,473	55,000	3,300
2024 - 2027	350,000	22,525	-	-
	\$ 2,825,000	\$ 847,803	\$ 295,000	\$ 65,100

Year	Governmental Activities			
	OPWC loans	County Engineer	Total	
	Principal	Principal	Principal	Interest
2014	\$ 132	\$ 30,000	\$ 280,132	\$ 156,628
2015	132	30,000	295,132	144,878
2016	132	30,000	310,132	132,262
2017	132	30,000	325,132	116,312
2018	132	30,000	340,132	99,525
2019 - 2023	662	60,000	1,430,662	240,773
2024 - 2027	332	-	350,332	22,525
	\$ 1,654	\$ 210,000	\$ 3,331,654	\$ 912,903

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13 – DEBT (continued)

Year	Business-type Activities			
	Special Assessment Bonds		OWDA loans	
	Principal	Interest	Principal	Interest
2014	\$ 78,000	\$ 12,916	\$ 19,536	\$ 1,895
2015	78,000	8,000	20,357	1,074
2016	48,000	3,084	10,489	226
2017	4,000	232	-	-
2018	-	-	-	-
2019 - 2023	-	-	-	-
2024 - 2028	-	-	-	-
2029 - 2033	-	-	-	-
2034 - 2038	-	-	-	-
2039 - 2042	-	-	-	-
	\$ 208,000	\$ 24,232	\$ 50,382	\$ 3,195

Year	Business-type Activities		
	OPWC loans	Total	
	Principal	Principal	Interest
2014	\$ 21,733	\$ 119,269	\$ 14,811
2015	21,733	120,090	9,074
2016	21,733	80,222	3,310
2017	21,733	25,733	232
2018	21,733	21,733	-
2019 - 2023	72,449	72,449	-
2024 - 2028	41,923	41,923	-
2029 - 2033	15,803	15,803	-
2034 - 2038	8,623	8,623	-
2039 - 2042	2,587	2,587	-
	\$ 250,050	\$ 508,432	\$ 27,427

NOTE 14 - INTERFUND TRANSFERS

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 - LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$ 99,472 to pay lease costs for the year ended December 31, 2013. Future lease payments are as follows:

<u>Year End</u>	<u>Total</u>
2014	\$ 110,354
2015	110,354
2016	83,387
2017	34,363
2018	29,731
	<u>\$ 368,189</u>

NOTE 16 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. 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.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

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

June 24, 2015

Village of Sheffield
Lorain County
4820 Detroit Road
Sheffield Village, Ohio 44090

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Sheffield**, Lorain County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 24, 2015, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of audit findings to be a material weakness.

... "bringing more to the table"

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2014-001.

We noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 24, 2015.

Village's Response to Finding

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

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF SHEFFIELD
LORAIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Material Weakness/Noncompliance

Ohio Rev. Code Section 5705.09 requires, in part, each subdivision to establish a bond retirement fund for the retirement of serial bonds, notes or certificates of indebtedness.

During 2014, the Village issued a bond refunding and did not establish a debt service fund to account for the bond proceeds or the retirement of the bond.

We recommend the Village establish a debt service fund to account for the retirement of the 2014 refunding bond. New funds established should be approved by Village Council and documented in the minutes.

Officials' Response – Ohio Revised Code (ORC) 5705.10 describes the use of revenues. ORC 5705.10(I) reads: "Money paid into a fund shall be used only for the purpose for which such fund is established." Proceeds from a permanent improvement debt obligation are commonly placed in a capital projects fund to pay the cost of the permanent improvements.

ORC 133.01 (CC) defines "permanent improvements". The cost of permanent improvements may be paid from a capital projects fund. It is generally accepted practice that the payment of debt service of permanent improvement debt obligations constitutes the payment of the cost of the permanent improvements over time. Accordingly, the payment of debt service for permanent improvements from the capital projects fund would not be prohibited. See also Attorney General Opinion 1963-116. It follows that the proceeds from the refinance of a permanent improvement issue into the capital project fund to pay off existing permanent improvement obligation would not be prohibited.

The payment of debt service permanent improvement obligations from a capital projects fund is a past practice for the past 13-14 years, without issue, however the Village will consider establishing a debt service fund.

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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 17, 2015**