
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF SHEFFIELD

LORAIN COUNTY, OHIO

A&A
REGULAR AUDIT

For the Years Ended

December 31, 2016 and 2015

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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 Alger & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. 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

June 16, 2017

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VILLAGE OF SHEFFIELD
LORAIN COUNTY

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LORAIN COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the business-type activities, the 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, 2016 and 2015, 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.

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, the 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, 2016 and 2015, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2C.

Accounting Basis

We draw attention to Note 2C of the financial statements, which describes the accounting basis. 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 & Analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2017, 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.

Alger and
Associates
Inc
Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
May 22, 2017

Digitally signed by Alger and Associates Inc.
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Date: 2017.05.19 13:12:02 -0400'

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016, 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 2016 are as follows

Net position of governmental activities decreased \$ 33,412 or 2.8 percent from 2015. This was the result of a decrease of \$ 249,377 in the General Fund and a net increase of \$ 215,965 in Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 53.4 percent and 11.3 percent of the total cash received for governmental activities during the year.

Net position of business-type activities increased \$ 201,471 from 2015. Net position increased in the Water Fund by \$ 50,586, the Sewer Fund by \$ 109,979 and the Storm Water Fund by \$ 40,906, 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, 2016

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 2016, 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, 2016

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 fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2016 compared to 2015 on a cash basis.

**Table 1
Net Position**

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | | |
| Equity in pooled cash | \$ 1,151,684 | \$ 1,185,096 | \$ 993,997 | \$ 792,526 | \$ 2,145,681 | \$ 1,977,622 |
| Total assets | <u>\$ 1,151,684</u> | <u>\$ 1,185,096</u> | <u>\$ 993,997</u> | <u>\$ 792,526</u> | <u>\$ 2,145,681</u> | <u>\$ 1,977,622</u> |
| Net position | | | | | | |
| Restricted for: | | | | | | |
| Capital projects | \$ 193,266 | \$ 84,023 | \$ - | \$ - | \$ 193,266 | \$ 84,023 |
| Debt service | 103,630 | 95,908 | - | - | 103,630 | 95,908 |
| Other | 180,290 | 81,290 | - | - | 180,290 | 81,290 |
| Unrestricted | <u>674,498</u> | <u>923,875</u> | <u>993,997</u> | <u>792,526</u> | <u>1,668,495</u> | <u>1,716,401</u> |
| Total net position | <u>\$ 1,151,684</u> | <u>\$ 1,185,096</u> | <u>\$ 993,997</u> | <u>\$ 792,526</u> | <u>\$ 2,145,681</u> | <u>\$ 1,977,622</u> |

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED

As mentioned previously, net position of governmental activities decreased \$ 33,412 or 2.8 percent from 2016

Table 2 reflects the changes in net position in 2016 compared to 2015 on a cash basis

Table 2
Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Receipts | | | | | | |
| Program receipts | | | | | | |
| Charges for services | \$ 867,019 | \$ 847,394 | \$ 1,528,173 | \$ 1,398,417 | \$ 2,395,192 | \$ 2,245,811 |
| Operating grants and contributions | 187,957 | 5,885 | - | - | 187,957 | 5,885 |
| Capital grants and contributions | 802,173 | 171,697 | 114,423 | 69,543 | 916,596 | 241,240 |
| Total program receipts | <u>1,857,149</u> | <u>1,024,976</u> | <u>1,642,596</u> | <u>1,467,960</u> | <u>3,499,745</u> | <u>2,492,936</u> |
| General receipts | | | | | | |
| Property and other local taxes | 854,161 | 796,587 | - | - | 854,161 | 796,587 |
| Payments in lieu of taxes | 419,853 | 215,459 | - | - | 419,853 | 215,459 |
| Municipal income taxes | 4,020,461 | 3,822,098 | - | - | 4,020,461 | 3,822,098 |
| Grants and entitlements | 377,508 | 392,581 | - | - | 377,508 | 392,581 |
| Loan proceeds | - | 5,103 | - | - | - | 5,103 |
| Interest | 12 | 56 | - | - | 12 | 56 |
| Other | 1,456 | 457 | - | - | 1,456 | 457 |
| Total general receipts | <u>5,673,451</u> | <u>5,232,341</u> | <u>-</u> | <u>-</u> | <u>5,673,451</u> | <u>5,232,341</u> |
| Total receipts | <u>7,530,600</u> | <u>6,257,317</u> | <u>1,642,596</u> | <u>1,467,960</u> | <u>9,173,196</u> | <u>7,725,277</u> |

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VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED

Table 2
Change in Net Position
(Concluded)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|--------------|--------------------------|------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Program cash disbursements | | | | | | |
| Security of persons and property | \$ 4,089,490 | \$ 3,885,309 | \$ - | \$ - | \$ 4,089,490 | \$ 3,885,309 |
| Leisure time activities | 40,594 | 26,628 | - | - | 40,594 | 26,628 |
| Community environment | 8,699 | 7,613 | - | - | 8,699 | 7,613 |
| Basic utility services | 22,144 | 21,810 | - | - | 22,144 | 21,810 |
| Transportation | 209,705 | 291,468 | - | - | 209,705 | 291,468 |
| General government | 1,513,790 | 1,401,260 | - | - | 1,513,790 | 1,401,260 |
| Capital outlay | 1,125,793 | 472,888 | - | - | 1,125,793 | 472,888 |
| Principal | 464,444 | 494,415 | - | - | 464,444 | 494,415 |
| Interest and fiscal charges | 89,353 | 105,840 | - | - | 89,353 | 105,840 |
| Water | - | - | 609,726 | 621,904 | 609,726 | 621,904 |
| Sewer | - | - | 608,461 | 648,177 | 608,461 | 648,177 |
| Storm water sewer | - | - | 222,938 | 263,598 | 222,938 | 263,598 |
| Total program cash disbursements | 7,564,012 | 6,707,231 | 1,441,125 | 1,533,679 | 9,005,137 | 8,240,910 |
| Increase (decrease) in net position | (33,412) | (449,914) | 201,471 | (65,719) | 168,059 | (515,633) |
| Net position, at beginning of year | 1,185,096 | 1,635,010 | 792,526 | 858,245 | 1,977,622 | 2,493,255 |
| Net position, at end of year | \$ 1,151,684 | \$ 1,185,096 | \$ 993,997 | \$ 792,526 | \$ 2,145,681 | \$ 1,977,622 |

Governmental Activities

Program receipts represent 24.7 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 75.3 percent of the Village's total receipts of governmental activities, and of this amount, 85.9 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, 2016

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 and general government which account for 54.1 percent and 20.0 percent, of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net (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 | \$ 4,089,490 | \$ (3,457,509) |
| Leisure time activities | 40,594 | (22,094) |
| Community environment | 8,699 | 4,316 |
| Basic utility services | 22,144 | (22,144) |
| Transportation | 209,705 | (209,705) |
| General government | 1,513,790 | (1,116,868) |
| Capital outlay | 1,125,793 | (461,001) |
| Principal | 464,444 | (348,233) |
| Interest and fiscal charges | 89,353 | (73,625) |
| Total governmental activities | \$ 7,564,012 | \$ (5,706,863) |

The dependence upon property and income tax receipts is apparent as 64.4 percent of governmental activities are supported through these general receipts.

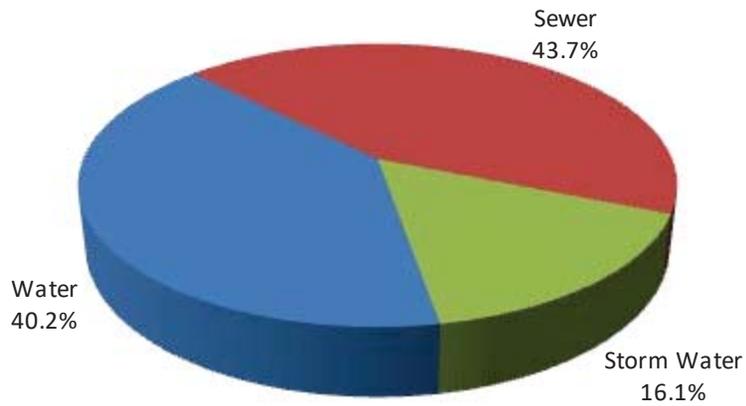
VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED

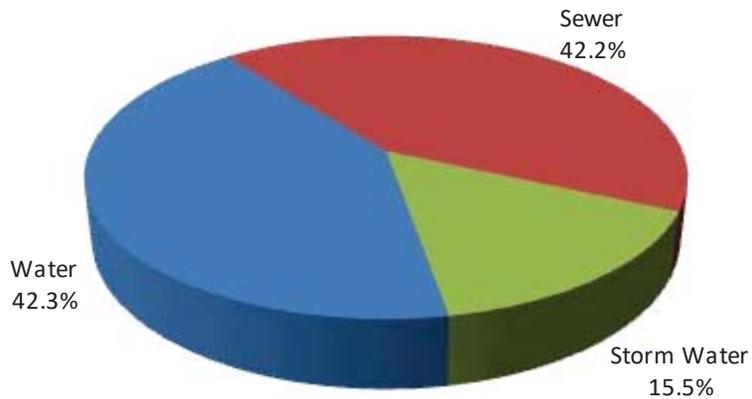
Business-type Activities

The primary source of receipts for the business-type activities is charges for services, which was 93.0 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, 2016

UNAUDITED

The Village's Funds

Total governmental funds had receipts of \$ 7,530,600, disbursements of \$ 7,564,012. Within the governmental funds, the General Fund decreased \$ 249,377 while Other Governmental Funds increased by \$ 215,965.

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 2016, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 403,485 higher than original budgeted receipts. Actual receipts were less than final budgeted amount by \$ 45,023.

Original appropriations were \$ 5,375,904 and final appropriations were \$ 6,144,992. Actual disbursements were \$ 118,952 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 | |
|---------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Bonds | | | | | | |
| General obligations | \$ 2,880,000 | \$ 3,190,000 | \$ - | \$ - | \$ 2,880,000 | \$ 3,190,000 |
| Special assessment | 160,000 | 210,000 | 4,000 | 52,000 | 164,000 | 262,000 |
| OWDA loans | - | - | - | 10,489 | - | 10,489 |
| OPWC loans | 206,960 | 222,915 | 184,851 | 206,584 | 391,811 | 429,499 |
| Note payable | 120,000 | 150,000 | - | - | 120,000 | 150,000 |
| | <u>\$ 3,366,960</u> | <u>\$ 3,772,915</u> | <u>\$ 188,851</u> | <u>\$ 269,073</u> | <u>\$ 3,555,811</u> | <u>\$ 4,041,988</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 10 to the basic financial statements.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED

Current Issues

The Village has seen some residential housing starts and continued increase in commercial activity in 2016. A luxury apartment complex, The Preserve, is under construction and slated to open late spring of 2017. The temporary facility for the veteran's hospital opened mid-year 2016. However due to income tax withholdings being reported by them to the City of Lorain and the City of Sheffield Lake in error, the Village did not receive the income tax from them in 2016. This has since been corrected and back taxes in excess of \$ 60,000 has since been received by the Village in 2017. Harbor Freight opened up in the previously vacant Sears Hardware Store and Magna Techcraft Seating moved into the French Creek Business Park. Wheeler Trucking moved into an area by the Ford Motor Co. and began construction of an additional 20,000 square feet. Oldcastle APG South completed their expansion of 40,000 square feet to their existing plant.

Collective Bargaining agreements were negotiated and are in place through March 31, 2019 for the Fire Department. Negotiations are still going on for the Police Dispatch, Patrolman and Police Officer unions.

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, 2016

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Equity in pooled cash | \$ 1,151,684 | \$ 993,997 | \$ 2,145,681 |
| Total assets | <u>\$ 1,151,684</u> | <u>\$ 993,997</u> | <u>\$ 2,145,681</u> |
| Net position | | | |
| Restricted for: | | | |
| Capital projects | \$ 193,266 | \$ - | \$ 193,266 |
| Debt service | 103,630 | - | 103,630 |
| Highways and streets | 117,478 | - | 117,478 |
| Security of persons and property | 60,447 | - | 60,447 |
| Other | 2,365 | - | 2,365 |
| Unrestricted | 674,498 | 993,997 | 1,668,495 |
| Total net position | <u>\$ 1,151,684</u> | <u>\$ 993,997</u> | <u>\$ 2,145,681</u> |

See accompanying notes to the basic financial statements

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | 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 | \$ 4,089,490 | \$ 448,539 | \$ 183,442 | \$ - |
| Leisure time activities | 40,594 | 18,500 | - | - |
| Community environment | 8,699 | 8,500 | 4,515 | - |
| Basic utility services | 22,144 | - | - | - |
| Transportation | 209,705 | - | - | - |
| General government | 1,513,790 | 391,480 | - | 5,442 |
| Capital outlay | 1,125,793 | - | - | 664,792 |
| Principal | 464,444 | - | - | 116,211 |
| Interest and fiscal charges | 89,353 | - | - | 15,728 |
| Total governmental activities | <u>7,564,012</u> | <u>867,019</u> | <u>187,957</u> | <u>802,173</u> |
| Business-type activities | | | | |
| Water | 609,726 | 644,208 | - | 16,104 |
| Sewer | 608,461 | 620,121 | - | 98,319 |
| Storm water sewer | 222,938 | 263,844 | - | - |
| Total business-type activities | <u>1,441,125</u> | <u>1,528,173</u> | <u>-</u> | <u>114,423</u> |
| Total | <u>\$ 9,005,137</u> | <u>\$ 2,395,192</u> | <u>\$ 187,957</u> | <u>\$ 916,596</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

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 |
|----------------------------|-----------------------------|---------------------|
| \$ (3,457,509) | \$ - | \$ (3,457,509) |
| (22,094) | - | (22,094) |
| 4,316 | - | 4,316 |
| (22,144) | - | (22,144) |
| (209,705) | - | (209,705) |
| (1,116,868) | - | (1,116,868) |
| (461,001) | - | (461,001) |
| (348,233) | - | (348,233) |
| (73,625) | - | (73,625) |
| <u>(5,706,863)</u> | <u>-</u> | <u>(5,706,863)</u> |
| - | 50,586 | 50,586 |
| - | 109,979 | 109,979 |
| - | 40,906 | 40,906 |
| <u>-</u> | <u>201,471</u> | <u>201,471</u> |
| <u>(5,706,863)</u> | <u>201,471</u> | <u>(5,505,392)</u> |
| 598,314 | - | 598,314 |
| 255,847 | - | 255,847 |
| 419,853 | - | 419,853 |
| 4,020,461 | - | 4,020,461 |
| 377,508 | - | 377,508 |
| 12 | - | 12 |
| 1,456 | - | 1,456 |
| <u>5,673,451</u> | <u>-</u> | <u>5,673,451</u> |
| (33,412) | 201,471 | 168,059 |
| <u>1,185,096</u> | <u>792,526</u> | <u>1,977,622</u> |
| <u>\$ 1,151,684</u> | <u>\$ 993,997</u> | <u>\$ 2,145,681</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS

DECEMBER 31, 2016

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------|---------------------|---|---|
| Assets | | | |
| Equity in pooled cash | \$ 674,498 | \$ 477,186 | \$ 1,151,684 |
| Total assets | <u>\$ 674,498</u> | <u>\$ 477,186</u> | <u>\$ 1,151,684</u> |
| Fund balances | | | |
| Restricted | \$ - | \$ 477,186 | \$ 477,186 |
| Assigned | 5,856 | - | 5,856 |
| Unassigned | 668,642 | - | 668,642 |
| Total fund balances | <u>\$ 674,498</u> | <u>\$ 477,186</u> | <u>\$ 1,151,684</u> |

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, 2016

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|--------------------------------|
| Receipts | | | |
| Property and other taxes | \$ 598,314 | \$ 255,847 | \$ 854,161 |
| Payments in lieu of taxes | - | 419,853 | 419,853 |
| Municipal income tax | 4,020,461 | - | 4,020,461 |
| Intergovernmental | 325,899 | 904,358 | 1,230,257 |
| Special assessments | - | 137,381 | 137,381 |
| Charges for services | 188,775 | 8,500 | 197,275 |
| Fines, licenses and permits | 552,565 | 9,993 | 562,558 |
| Interest | 12 | - | 12 |
| Miscellaneous | 108,642 | - | 108,642 |
| Total receipts | 5,794,668 | 1,735,932 | 7,530,600 |
| Disbursements | | | |
| Current | | | |
| Security of persons and property | 3,726,212 | 363,278 | 4,089,490 |
| Leisure time activities | 40,594 | - | 40,594 |
| Community environment | - | 8,699 | 8,699 |
| Basic utility services | 22,144 | - | 22,144 |
| Transportation | - | 209,705 | 209,705 |
| General government | 1,167,155 | 346,635 | 1,513,790 |
| Capital outlay | 158,839 | 966,954 | 1,125,793 |
| Debt service | | | |
| Principal | - | 464,444 | 464,444 |
| Interest and fiscal charges | - | 89,353 | 89,353 |
| Total disbursements | 5,114,944 | 2,449,068 | 7,564,012 |
| Excess of receipts over (under) disbursements | 679,724 | (713,136) | (33,412) |
| Other financing sources | | | |
| Advances in | - | 319,787 | 319,787 |
| Advances out | (319,787) | - | (319,787) |
| Transfers in | 49,400 | 771,997 | 821,397 |
| Transfers out | (658,714) | (162,683) | (821,397) |
| Total other financing sources | (929,101) | 929,101 | - |
| Net change in fund balances | (249,377) | 215,965 | (33,412) |
| Fund balances at beginning of year | 923,875 | 261,221 | 1,185,096 |
| Fund balances at end of year | \$ 674,498 | \$ 477,186 | \$ 1,151,684 |

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, 2016

GENERAL FUND

| | Budget Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and other taxes | \$ 586,765 | \$ 650,486 | \$ 598,314 | \$ (52,172) |
| Municipal income tax | 3,850,000 | 4,023,783 | 4,020,461 | (3,322) |
| Intergovernmental | 146,762 | 318,063 | 321,384 | 3,321 |
| Charges for services | 208,362 | 188,775 | 188,775 | - |
| Fines, licenses and permits | 536,496 | 552,565 | 552,565 | - |
| Interest | 60 | 12 | 12 | - |
| Miscellaneous | 84,746 | 82,992 | 90,142 | 7,150 |
| Total receipts | <u>5,413,191</u> | <u>5,816,676</u> | <u>5,771,653</u> | <u>(45,023)</u> |
| Disbursements | | | | |
| Personnel costs | 2,577,152 | 2,673,652 | 2,656,201 | 17,451 |
| Other | <u>2,798,752</u> | <u>3,471,340</u> | <u>3,369,839</u> | <u>101,501</u> |
| Total disbursements | <u>5,375,904</u> | <u>6,144,992</u> | <u>6,026,040</u> | <u>118,952</u> |
| Net change in fund balances | 37,287 | (328,316) | (254,387) | 73,929 |
| Prior year encumbrances appropriated | - | - | - | - |
| Fund balances at beginning of year | <u>923,029</u> | <u>923,029</u> | <u>923,029</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ 960,316</u> | <u>\$ 594,713</u> | <u>\$ 668,642</u> | <u>\$ 73,929</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2016

| | Water Fund | Sew er Fund | Storm Water Fund | Total Enterprise Funds |
|-----------------------|-------------------|-------------------|---------------------|------------------------------|
| Assets | | | | |
| Equity in pooled cash | \$ 265,482 | \$ 248,337 | \$ 480,178 | \$ 993,997 |
| Total assets | <u>\$ 265,482</u> | <u>\$ 248,337</u> | <u>\$ 480,178</u> | <u>\$ 993,997</u> |
| Net position | | | | |
| Unrestricted | \$ 265,482 | \$ 248,337 | \$ 480,178 | \$ 993,997 |
| Total net position | <u>\$ 265,482</u> | <u>\$ 248,337</u> | <u>\$ 480,178</u> | <u>\$ 993,997</u> |

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, 2016

| | Water Fund | Sewer Fund | Storm Water Fund | Total Enterprise Funds |
|-----------------------------------|-------------------|-------------------|---------------------|------------------------------|
| Receipts | | | | |
| Charges for services | \$ 643,212 | \$ 620,121 | \$ 263,844 | \$ 1,527,177 |
| Miscellaneous | 996 | - | - | 996 |
| Total receipts | <u>644,208</u> | <u>620,121</u> | <u>263,844</u> | <u>1,528,173</u> |
| Operating disbursements | | | | |
| Personal services | 251,298 | 140,433 | 134,118 | 525,849 |
| Contractual services | 263,957 | 454,483 | 1,868 | 720,308 |
| Materials and supplies | 61,936 | 4,505 | 81,865 | 148,306 |
| Total operating disbursements | <u>577,191</u> | <u>599,421</u> | <u>217,851</u> | <u>1,394,463</u> |
| Operating income | <u>67,017</u> | <u>20,700</u> | <u>45,993</u> | <u>133,710</u> |
| Non-operating disbursements | | | | |
| Capital outlay | (10,802) | (9,040) | (5,087) | (24,929) |
| Principal paid | (21,733) | - | - | (21,733) |
| Total non-operating disbursements | <u>(32,535)</u> | <u>(9,040)</u> | <u>(5,087)</u> | <u>(46,662)</u> |
| Income before contributions | <u>34,482</u> | <u>11,660</u> | <u>40,906</u> | <u>87,048</u> |
| Capital contributions - tap fees | <u>16,104</u> | <u>98,319</u> | <u>-</u> | <u>114,423</u> |
| Change in net position | 50,586 | 109,979 | 40,906 | 201,471 |
| Net position at beginning of year | <u>214,896</u> | <u>138,358</u> | <u>439,272</u> | <u>792,526</u> |
| Net position at end of year | <u>\$ 265,482</u> | <u>\$ 248,337</u> | <u>\$ 480,178</u> | <u>\$ 993,997</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2016

| | <u>Agency</u> |
|-----------------------|-------------------------|
| Assets | |
| Equity in pooled cash | <u>\$ 32,168</u> |
| Total assets | <u><u>32,168</u></u> |
| Net position | |
| Unrestricted | <u>32,168</u> |
| Total net position | <u><u>\$ 32,168</u></u> |

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VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - REPORTING ENTITY

The Village of Sheffield, Lorain County, Ohio (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, 2016

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 is the Village's major governmental fund:

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.

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, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

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

C. BASIS OF ACCOUNTING

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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."

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. 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, 2016

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 2016 was \$ 12 which includes \$ 7 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 14 and 15, 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, 2016

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 \$ 477,186, 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, 2016

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. 72, "Fair Value Measurement and Application" The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurement of Elements of Financial Statements, and other relevant literature. The implementation of GASB Statement No. 72 did not have an effect on the financial statement of the Village.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees—both active employees and inactive employees—are provided with pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended. One aspect of that objective is to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between a government’s inflows of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government’s pension obligations. The implementation of GASB Statement No. 73 did not have an effect on the financial statement of the Village.

GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.” The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of GASB Statement No. 76 did not have an effect on the financial statement of the Village.

GASB Statement No. 77, “Tax Abatement Disclosures”. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. See Note 16 of these financial statements.

GASB Statement No. 79, “Certain External Investment Pools and Pool Participants” establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The Village participates in STAR Ohio which implemented GASB Statement No. 79 for the fiscal year 2016. The implementation of GASB Statement No. 79 did not have an effect on the financial statement of the Village.

GASB Statement No. 82, Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73” improves consistency in the application of pension accounting. These changes were incorporated in the Village fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

| | |
|----------------------------------|-----------------------------|
| | General Fund |
| | <u> </u> |
| Budget basis | \$ (254,387) |
| Adjustments, increase (decrease) | |
| Funds budgeted elsewhere ** | 5,010 |
| Cash basis, as reported | <u>\$ (249,377)</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>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------------|---------------------|---|---|
| Fund balances | | | |
| Restricted for: | | | |
| Security of persons and property | \$ - | \$ 60,447 | \$ 60,447 |
| Highways and streets | - | 117,478 | 117,478 |
| Capital projects | - | 193,266 | 193,266 |
| Debt service | - | 103,630 | 103,630 |
| Other | - | 2,365 | 2,365 |
| | <u>-</u> | <u>477,186</u> | <u>477,186</u> |
| Assigned | | | |
| Recreation | 4,205 | - | 4,205 |
| Solid waste management | 1,651 | - | 1,651 |
| | <u>5,856</u> | <u>-</u> | <u>5,856</u> |
| Unassigned | 668,642 | - | 668,642 |
| Total fund balances | <u>\$ 674,498</u> | <u>\$ 477,186</u> | <u>\$ 1,151,684</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

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 \$ 2,177,849 and the bank balance was \$ 2,202,386. Of the bank balance \$ 750,000 was covered by Federal depository insurance and \$ 1,452,386 was uninsured. Of the remaining balance, \$ 1,452,386 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 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 - PROPERTY TAXES (continued)

The full tax rate for all Village operations for the year ended December 31, 2016, was \$ 5.35 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

| | 2016 Collection Year |
|----------------------------------|-------------------------|
| Property valuation consisted of: | |
| Real property | \$ 157,555,240 |
| Public utility property | 5,434,890 |
| Total valuation | \$ 162,990,130 |

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, 2016, the Pool's retention levels are \$ 50,000 and \$100,000 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, 2016 and 2015:

| | 2016 | 2015 |
|---------------------|--------------|--------------|
| Assets | \$ 1,272,799 | \$ 1,339,719 |
| Liabilities | (821,016) | (1,051,927) |
| Accumulated surplus | \$ 451,783 | \$ 287,792 |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - DEBT

The changes in the Village's long-term debt during 2016 were as follows:

| | <u>Outstanding 12/31/2015</u> | <u>Additions</u> | <u>Payments</u> | <u>Outstanding 12/31/2016</u> | <u>Due in One Year</u> |
|-------------------------------------|-----------------------------------|------------------|-------------------|-----------------------------------|----------------------------|
| <u>Governmental activities</u> | | | | | |
| General obligation bonds | | | | | |
| Various purposed (2014) | | | | | |
| Varying % through 2031 | \$ 3,190,000 | \$ - | \$ 310,000 | \$ 2,880,000 | 320,000 |
| Total general obligation bonds | <u>3,190,000</u> | <u>-</u> | <u>310,000</u> | <u>2,880,000</u> | <u>320,000</u> |
| Special assessment bonds | | | | | |
| with governmental commitment | | | | | |
| Various purpose (1999) | | | | | |
| Varying % through 2019 | 210,000 | - | 50,000 | 160,000 | 50,000 |
| Total special assessment bonds | <u>210,000</u> | <u>-</u> | <u>50,000</u> | <u>160,000</u> | <u>50,000</u> |
| Ohio Public Works Commission (OPWC) | | | | | |
| Road resurfacing (2007) | | | | | |
| 0% through 2026 | 1,391 | - | 132 | 1,259 | 132 |
| Roadimprovements (2014) | | | | | |
| 0% through 2030 | 221,524 | - | 15,823 | 205,701 | 15,823 |
| | <u>222,915</u> | <u>-</u> | <u>15,955</u> | <u>206,960</u> | <u>15,955</u> |
| County engineer loan payable | <u>150,000</u> | <u>-</u> | <u>30,000</u> | <u>120,000</u> | <u>30,000</u> |
| Total governmental activities | <u>\$ 3,772,915</u> | <u>\$ -</u> | <u>\$ 405,955</u> | <u>\$ 3,366,960</u> | <u>\$ 415,955</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 – DEBT (continued)

| | Outstanding 12/31/2015 | Additions | Due in One Year | Outstanding 12/31/2016 | Due in One Year |
|--|---------------------------|-------------|--------------------|---------------------------|--------------------|
| <u>Business-type activities</u> | | | | | |
| Special assessment bonds with governmental commitment | | | | | |
| Sewer improvements (1996) various % through 2016 | \$ 45,000 | \$ - | \$ 45,000 | \$ - | \$ - |
| Waterline improvements (1997) various % through 2017 | 7,000 | - | 3,000 | 4,000 | 4,000 |
| Total special assessment bonds | <u>52,000</u> | <u>-</u> | <u>48,000</u> | <u>4,000</u> | <u>4,000</u> |
| Ohio Public Works Commission (OPWC) | | | | | |
| Water Main Replacement, Phase I (1999) 0% through 2019 | 8,068 | - | 2,305 | 5,763 | 2,305 |
| Water Main Replacement, Phase II (1999) 0% through 2019 | 13,125 | - | 3,750 | 9,375 | 3,750 |
| Water Main Replacement (2002) 0% through 2022 | 26,904 | - | 4,484 | 22,420 | 4,484 |
| Water Line Replacement (2010) 0% through 2030 | 46,825 | - | 4,682 | 42,143 | 4,682 |
| Water Line Replacement (2006) 0% through 2026 | 69,411 | - | 4,787 | 64,624 | 4,787 |
| Water Line Replacement (2010) 0% through 2040 | 42,251 | - | 1,725 | 40,526 | 1,725 |
| Total OPWC loans | <u>206,584</u> | <u>-</u> | <u>21,733</u> | <u>184,851</u> | <u>21,733</u> |
| Ohio Water Development Authority (OWDA) | | | | | |
| Sanitary sewer refinancing (1997) 4.160% through 2016 | 10,489 | - | 10,489 | - | - |
| Total business-type activities | <u>\$ 269,073</u> | <u>\$ -</u> | <u>\$ 80,222</u> | <u>\$ 188,851</u> | <u>\$ 25,733</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, 2016

NOTE 10 – 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 |
| 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 | 325,000 | 48,225 | - | - |
| 2021 | 325,000 | 41,725 | - | - |
| 2022 - 2026 | 1,010,000 | 108,838 | - | - |
| 2027 - 2031 | 260,000 | 25,275 | - | - |
| | <u>\$ 2,880,000</u> | <u>\$ 407,138</u> | <u>\$ 160,000</u> | <u>\$ 19,500</u> |

| Year | Governmental Activities | | | |
|-------------|-------------------------|-------------------|---------------------|-------------------|
| | OPWC loans | County Engineer | Total | |
| | Principal | Principal | Principal | Interest |
| 2017 | \$ 15,955 | \$ 30,000 | \$ 415,955 | \$ 77,025 |
| 2018 | 15,955 | 30,000 | 420,955 | 67,625 |
| 2019 | 15,955 | 30,000 | 420,955 | 57,925 |
| 2020 | 15,956 | 30,000 | 370,956 | 48,225 |
| 2021 | 15,956 | - | 340,956 | 41,725 |
| 2022 - 2026 | 79,712 | - | 1,089,712 | 108,838 |
| 2027 - 2031 | 47,471 | - | 307,471 | 25,275 |
| | <u>\$ 206,960</u> | <u>\$ 120,000</u> | <u>\$ 3,366,960</u> | <u>\$ 426,638</u> |

| Year | Business-type Activities | | | | |
|-------------|--------------------------|---------------|-------------------|-------------------|-------------------|
| | Special Assessment Bonds | | OPWC loans | Total | |
| | Principal | Interest | Principal | Principal | Interest |
| 2017 | \$ 4,000 | \$ 232 | \$ 21,733 | \$ 25,733 | \$ 232 |
| 2018 | - | - | 21,733 | 21,733 | 21,733 |
| 2019 | - | - | 18,706 | 18,706 | 18,706 |
| 2020 | - | - | 15,678 | 15,678 | 15,678 |
| 2021 | - | - | 15,679 | 15,679 | 15,679 |
| 2022 - 2026 | - | - | 51,292 | 51,292 | 51,292 |
| 2027 - 2031 | - | - | 25,376 | 25,376 | 25,376 |
| 2032 - 2036 | - | - | 8,620 | 8,620 | 8,620 |
| 2037 - 2041 | - | - | 6,034 | 6,034 | 6,034 |
| | <u>\$ 4,000</u> | <u>\$ 232</u> | <u>\$ 184,851</u> | <u>\$ 188,851</u> | <u>\$ 163,350</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 –DEFEASED DEBT

In 2014 the Village defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Village’s financial statements. At December 31, 2016, \$ 2,165,000 of bonds outstanding are considered defeased

NOTE 12 - INTERFUND TRANSACTIONS\

A. TRANSFERS

The General Fund transfers to other non-major governmental funds were made to provide additional resources for current operations, capital improvements and debt service. The French Creek TIF Fund and the Detroit Road TIF Fund, non-major governmental funds, transferred \$ 51,050 and \$ 111,633, respectively, for debt service.

| | Transferred From: | | |
|------------------------------|-------------------|------------------------------------|------------|
| | General Fund | Non-major Governmental Funds | Total |
| Transfer to: | | | |
| Non-major governmental funds | \$ 609,314 | \$ 162,683 | \$ 771,997 |

B. ADVANCES

The General Fund advanced \$ 319,787 to the Capital Projects Fund until grant proceeds received. The advance is expected to be repaid within one year.

NOTE 13 - LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$ 330,549 to pay lease costs for the year ended December 31, 2016. Future lease payments are as follows:

| Year End | Total |
|----------|-----------|
| 2017 | \$ 34,363 |
| 2018 | 29,731 |
| | \$ 64,094 |

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|--|--|--|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>State and Local</u> | <u>Public Safety</u> | <u>Law Enforcement</u> |
|---|----------------------------|--------------------------|----------------------------|
| 2016 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0% | 18.1% | 18.1% |
| Employee | 10.0% | * | ** |
| 2016 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 12.0% | 16.1% | 16.1% |
| Post-employment Health Care Benefits | 2.0% | 2.0% | 2.0% |
| Total Employer | <u>14.0%</u> | <u>18.1%</u> | <u>18.1%</u> |
| Employee | <u>10.0%</u> | <u>12.0%</u> | <u>13.0%</u> |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 196,759 for year 2016.

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF) (continued)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police | Firefighters |
|---|--------|--------------|
| 2016 Statutory Maximum Contribution Rates | | |
| Employer | 19.50% | 24.00% |
| Employee | 12.25% | 12.25% |
| 2016 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00% | 23.50% |
| Post-employment Health Care Benefits | 0.50% | 0.50% |
| Total Employer | 19.50% | 24.00% |
| Employee | 12.25% | 12.25% |

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$ 369,199 for 2016.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - The 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$ 28,108, \$ 28,641, and \$ 28,278, respectively. The full amount has been contributed for all three years.

B. OHIO POLICE AND FIRE PENSION FUND

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

OPF provides access to postretirement 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 OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF 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 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OPF 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 administered 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 OPF 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 2016, the portion of employer contributions allocated to health care was 0.5 percent 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 OPF Board of Trustees is also 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 contribution to OPF for the years ended December 31, 2016, 2015, and 2014 were \$ 369,199, \$ 370,459, and \$ 366,316, respectively, of which \$ 8,403, \$ 8,415, and \$ 47,433, respectively, was allocated to the healthcare plan. The full amount has been contributed for all three years.

NOTE 16 – TAX ABATEMENT

On February 12, 2014, a ten-year real estate tax abatement was granted to OldCastle APG South, Inc.

- 75% real estate tax abatement was granted for years 1 thru 5
 - In each year of the tax exemption, OldCastle is obligated to pay to the Sheffield/Sheffield Lake City School District \$ 9,058.
- 60% real estate tax abatement was granted for years 6 – 10.
 - In each year of the tax exemption, OldCastle is obligated to pay to the Sheffield/Sheffield Lake City School District \$ 5,746.

This tax abatement involved the construction of a new 28,000 square foot building at their present site in Sheffield Village. The cost of the new construction was to be at least \$ 1,500,000.

The new construction shifts four employment positions from their Berea, Ohio location immediately and up to six other employees upon the closing of the Berea location. An additional five to six new hires were planned over the next five years. The annual payroll of the new employees was \$ 630,000 estimated to grow to \$ 855,000 over the next five years.

NOTE 17 – SUBSEQUENT EVENTS

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

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VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, 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 2015 are as follows

Net position of governmental activities decreased \$ 449,914 or 27.5 percent from 2014. This was the result of decreases of \$ 288,150 in the General Fund and a net decrease of \$ 161,764 in Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 61.1 percent and 12.7 percent of the total cash received for governmental activities during the year.

Net position of business-type activities decreased \$ 65,719 from 2014. Net position decreased in the Water Fund by \$ 44,094 and the Sewer Fund by \$ 26,320. The Storm Water Fund increased by \$ 4,695.

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, 2015
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Basis of Accounting

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

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

Government-wide Financial Statements

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2015, 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, 2015

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 fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2015 compared to 2014 on a cash basis.

**Table 1
Net Position**

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------|-------------------------|--------------|--------------------------|------------|--------------|--------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets | | | | | | |
| Equity in pooled cash | \$ 1,185,096 | \$ 1,635,010 | \$ 792,526 | \$ 858,245 | \$ 1,977,622 | \$ 2,493,255 |
| Total assets | \$ 1,185,096 | \$ 1,635,010 | \$ 792,526 | \$ 858,245 | \$ 1,977,622 | \$ 2,493,255 |
| Net position | | | | | | |
| Restricted for: | | | | | | |
| Capital projects | \$ 84,023 | \$ 266,399 | \$ - | \$ - | \$ 84,023 | \$ 266,399 |
| Debt service | 95,908 | 94,219 | - | - | 95,908 | 94,219 |
| Other | 81,290 | 62,367 | - | - | 81,290 | 62,367 |
| Unrestricted | 923,875 | 1,212,025 | 792,526 | 858,245 | 1,716,401 | 2,070,270 |
| Total net position | \$ 1,185,096 | \$ 1,635,010 | \$ 792,526 | \$ 858,245 | \$ 1,977,622 | \$ 2,493,255 |

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED

As mentioned previously, net position of governmental activities decreased \$ 449,914 or 27.5 percent during 2015.

Table 2 reflects the changes in net position in 2015 compared to 2014 on a cash basis

Table 2
Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|-------------------|--------------------------|------------------|------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Receipts | | | | | | |
| Program receipts | | | | | | |
| Charges for services | \$ 847,394 | \$ 847,237 | \$ 1,398,417 | \$ 1,400,127 | \$ 2,245,811 | \$ 2,247,364 |
| Operating grants and contributions | 5,885 | 47,662 | - | - | 5,885 | 47,662 |
| Capital grants and contributions | 171,697 | 443,807 | 69,543 | 18,740 | 241,240 | 462,547 |
| Total program receipts | <u>1,024,976</u> | <u>1,338,706</u> | <u>1,467,960</u> | <u>1,418,867</u> | <u>2,492,936</u> | <u>2,757,573</u> |
| General receipts | | | | | | |
| Property and other | | | | | | |
| local taxes | 796,587 | 749,810 | - | - | 796,587 | 749,810 |
| Payments in lieu of taxes | 215,459 | 200,021 | - | - | 215,459 | 200,021 |
| Municipal income taxes | 3,822,098 | 3,919,199 | - | - | 3,822,098 | 3,919,199 |
| Grants and entitlements | 392,581 | 348,019 | - | - | 392,581 | 348,019 |
| Loan proceeds | 5,103 | - | - | - | 5,103 | - |
| Bond proceeds | - | 3,540,000 | - | - | - | 3,540,000 |
| Bond premium | - | 77,427 | - | - | - | 77,427 |
| Interest | 56 | 121 | - | - | 56 | 121 |
| Other | 457 | 1,167 | - | - | 457 | 1,167 |
| Total general receipts | <u>5,232,341</u> | <u>8,835,764</u> | <u>-</u> | <u>-</u> | <u>5,232,341</u> | <u>8,835,764</u> |
| Total receipts | <u>6,257,317</u> | <u>10,174,470</u> | <u>1,467,960</u> | <u>1,418,867</u> | <u>7,725,277</u> | <u>11,593,337</u> |

(continued on next page)

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

UNAUDITED

Table 2
Change in Net Position
(Concluded)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Program cash disbursements | | | | | | |
| Security of persons and property | \$ 3,885,309 | \$ 3,796,013 | \$ - | \$ - | \$ 3,885,309 | \$ 3,796,013 |
| Leisure time activities | 26,628 | 44,042 | - | - | 26,628 | 44,042 |
| Community environment | 7,613 | 11,022 | - | - | 7,613 | 11,022 |
| Basic utility services | 21,810 | 33,066 | - | - | 21,810 | 33,066 |
| Transportation | 291,468 | 349,413 | - | - | 291,468 | 349,413 |
| General government | 1,401,260 | 1,243,164 | - | - | 1,401,260 | 1,243,164 |
| Capital outlay | 477,991 | 460,163 | - | - | 477,991 | 460,163 |
| Principal | 489,312 | 3,817,668 | - | - | 489,312 | 3,817,668 |
| Interest and fiscal charges | 105,840 | 375,579 | - | - | 105,840 | 375,579 |
| Water | - | - | 621,904 | 571,953 | 621,904 | 571,953 |
| Sewer | - | - | 648,177 | 1,031,738 | 648,177 | 1,031,738 |
| Storm water sewer | - | - | 263,598 | 318,965 | 263,598 | 318,965 |
| Total program cash disbursements | <u>6,707,231</u> | <u>10,130,130</u> | <u>1,533,679</u> | <u>1,922,656</u> | <u>8,240,910</u> | <u>12,052,786</u> |
| Increase (decrease) in net position | (449,914) | 44,340 | (65,719) | (503,789) | (515,633) | (459,449) |
| Net position, at beginning 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> |
| Net position, at end of year | <u>\$ 1,185,096</u> | <u>\$ 1,635,010</u> | <u>\$ 792,526</u> | <u>\$ 858,245</u> | <u>\$ 1,977,622</u> | <u>\$ 2,493,255</u> |

Governmental Activities

Program receipts represent 16.4 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 83.6 percent of the Village's total receipts of governmental activities, and of this amount, 88.3 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
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UNAUDITED

If you look at the Statement of Activities on page 58, 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 and general government which account for 57.9 percent and 20.9 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 | \$ 3,885,309 | \$ (3,436,216) |
| Leisure time activities | 26,628 | (16,228) |
| Community environment | 7,613 | 4,302 |
| Basic utility services | 21,810 | (21,810) |
| Transportation | 291,468 | (291,468) |
| General government | 1,401,260 | (1,010,302) |
| Capital outlay | 477,991 | (472,888) |
| Principal | 489,312 | (356,180) |
| Interest and fiscal charges | 105,840 | (81,465) |
| Total governmental activities | \$ 6,707,231 | \$ (5,682,255) |

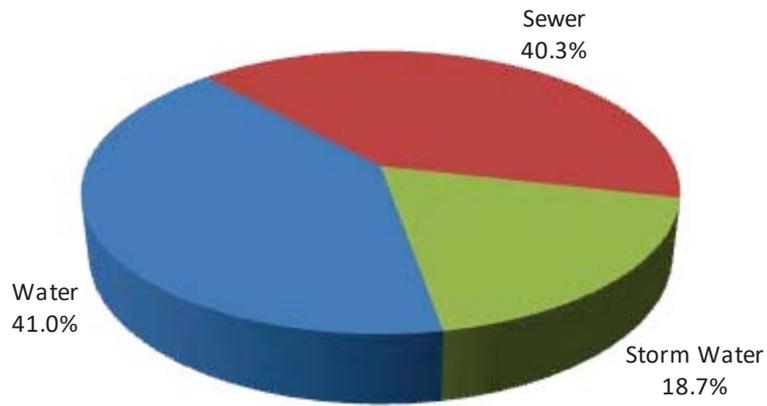
The dependence upon property and income tax receipts is apparent as 68.9 percent of governmental activities are supported through these general receipts.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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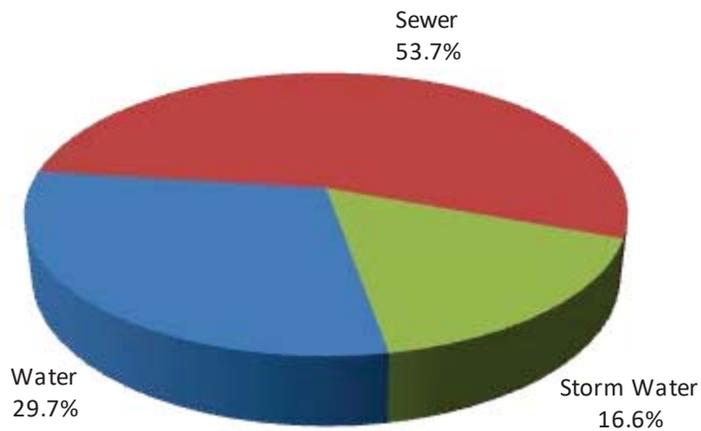
Business-type Activities

The primary source of receipts for the business-type activities is charges for services, which was 95.3 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, 2015
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The Village's Funds

Total governmental funds had receipts of \$ 6,252,214, disbursements of \$ 6,707,231 and other financing sources, net of \$ 5,103. The greatest changes within governmental funds occurred within the General Fund, which decreased \$ 288,150.

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 2015, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 71,136 lower than original budgeted receipts. Actual receipts were greater than final budgeted amount by \$ 46,541.

Original appropriations were \$ 5,523,340 and final appropriations were \$ 5,690,490. Actual disbursements were \$ 63,347 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 | |
|---------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | 2015 | Restated 2014 | 2015 | 2014 | 2015 | 2014 |
| Bonds | | | | | | |
| General obligations | \$ 3,190,000 | \$ 3,490,000 | \$ - | \$ - | \$ 3,190,000 | \$ 3,490,000 |
| Special assessment | 210,000 | 255,000 | 52,000 | 130,000 | 262,000 | 385,000 |
| OWDA loans | - | - | 10,489 | 30,846 | 10,489 | 30,846 |
| OPWC loans | 222,915 | 233,767 | 206,584 | 228,317 | 429,499 | 462,084 |
| Note payable | 150,000 | 180,000 | - | - | 150,000 | 180,000 |
| | <u>\$ 3,772,915</u> | <u>\$ 4,158,767</u> | <u>\$ 269,073</u> | <u>\$ 389,163</u> | <u>\$ 4,041,988</u> | <u>\$ 4,547,930</u> |

OPWC loans balance in Governmental Activities has been restated to include loan proceeds that were previously recorded as intergovernmental revenue.

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 10 to the basic financial statements.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Current Issues

The Village has seen some continued increase in commercial activity in 2015 with the completion of a Hilton Homewood Suites, Burlington Coat Factory, AutoZone, Villas at Waterford apartment complex, At Home store and renovation for a temporary facility for the veterans hospital. Already proposed and through planning commission is the approval of a luxury apartment complex and clubhouse.

A second hotel that was proposed in 2014 has not yet broken ground, however some site work clearing of the land has begun.

Layoffs and a delayed bargaining unit agreement from Ford Motor Company has caused a reduction in the collection of income tax of approximately \$ 100,000. The plant is again increasing production and in December did ratify their contract which should bring the estimated revenues for income tax collections from Ford back to previous levels. Several long-term medical leave of absences within the Police and Fire Departments required an additional appropriation to wages for \$ 110,000.

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, 2015

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Equity in pooled cash | \$ 1,185,096 | \$ 792,526 | \$ 1,977,622 |
| Total assets | \$ 1,185,096 | \$ 792,526 | \$ 1,977,622 |
| Net position | | | |
| Restricted for: | | | |
| Capital projects | \$ 84,023 | \$ - | \$ 84,023 |
| Debt service | 95,908 | - | 95,908 |
| Highways and streets | 25,556 | - | 25,556 |
| Security of persons and property | 55,734 | - | 55,734 |
| Unrestricted | 923,875 | 792,526 | 1,716,401 |
| Total net position | \$ 1,185,096 | \$ 792,526 | \$ 1,977,622 |

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, 2015

| | 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 | \$ 3,885,309 | \$ 446,512 | \$ 20 | \$ 2,561 |
| Leisure time activities | 26,628 | 10,400 | - | - |
| Community environment | 7,613 | 6,050 | 5,865 | - |
| Basic utility services | 21,810 | - | - | - |
| Transportation | 291,468 | - | - | - |
| General government | 1,401,260 | 384,432 | - | 6,526 |
| Capital outlay | 477,991 | - | - | 5,103 |
| Principal | 489,312 | - | - | 133,132 |
| Interest and fiscal charges | 105,840 | - | - | 24,375 |
| Total governmental activities | <u>6,707,231</u> | <u>847,394</u> | <u>5,885</u> | <u>171,697</u> |
| Business-type activities | | | | |
| Water | 621,904 | 569,387 | - | 8,423 |
| Sewer | 648,177 | 560,737 | - | 61,120 |
| Storm water sewer | 263,598 | 268,293 | - | - |
| Total business-type activities | <u>1,533,679</u> | <u>1,398,417</u> | <u>-</u> | <u>69,543</u> |
| Total | <u>\$ 8,240,910</u> | <u>\$ 2,245,811</u> | <u>\$ 5,885</u> | <u>\$ 241,240</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

Loan proceeds

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 |
|----------------------------|-----------------------------|---------------------|
| \$ (3,436,216) | \$ - | \$ (3,436,216) |
| (16,228) | - | (16,228) |
| 4,302 | - | 4,302 |
| (21,810) | - | (21,810) |
| (291,468) | - | (291,468) |
| (1,010,302) | - | (1,010,302) |
| (472,888) | - | (472,888) |
| (356,180) | - | (356,180) |
| (81,465) | - | (81,465) |
| <u>(5,682,255)</u> | <u>-</u> | <u>(5,682,255)</u> |
| - | (44,094) | (44,094) |
| - | (26,320) | (26,320) |
| - | 4,695 | 4,695 |
| <u>-</u> | <u>(65,719)</u> | <u>(65,719)</u> |
| <u>(5,682,255)</u> | <u>(65,719)</u> | <u>(5,747,974)</u> |
| 536,021 | - | 536,021 |
| 260,566 | - | 260,566 |
| 215,459 | - | 215,459 |
| 3,822,098 | - | 3,822,098 |
| 392,581 | - | 392,581 |
| 5,103 | - | 5,103 |
| 56 | - | 56 |
| 457 | - | 457 |
| <u>5,232,341</u> | <u>-</u> | <u>5,232,341</u> |
| (449,914) | (65,719) | (515,633) |
| <u>1,635,010</u> | <u>858,245</u> | <u>2,493,255</u> |
| <u>\$ 1,185,096</u> | <u>\$ 792,526</u> | <u>\$ 1,977,622</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------|--------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in pooled cash | \$ 923,875 | \$ 261,221 | \$ 1,185,096 |
| Total assets | \$ 923,875 | \$ 261,221 | \$ 1,185,096 |
| Fund balances | | | |
| Restricted | \$ - | \$ 261,221 | \$ 261,221 |
| Assigned | 846 | - | 846 |
| Unassigned | 923,029 | - | 923,029 |
| Total fund balances | \$ 923,875 | \$ 261,221 | \$ 1,185,096 |

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, 2015

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|--------------------------------|
| Receipts | | | |
| Property and other taxes | \$ 536,021 | \$ 260,566 | \$ 796,587 |
| Payments in lieu of taxes | - | 215,459 | 215,459 |
| Municipal income tax | 3,822,098 | - | 3,822,098 |
| Intergovernmental | 165,459 | 240,671 | 406,130 |
| Special assessments | - | 164,033 | 164,033 |
| Charges for services | 197,441 | 6,050 | 203,491 |
| Fines, licenses and permits | 541,926 | 9,858 | 551,784 |
| Interest | 56 | - | 56 |
| Miscellaneous | 92,576 | - | 92,576 |
| Total receipts | 5,355,577 | 896,637 | 6,252,214 |
| Disbursements | | | |
| Current | | | |
| Security of persons and property | 3,557,548 | 327,761 | 3,885,309 |
| Leisure time activities | 26,628 | - | 26,628 |
| Community environment | - | 7,613 | 7,613 |
| Basic utility services | 21,810 | - | 21,810 |
| Transportation | - | 291,468 | 291,468 |
| General government | 1,183,248 | 218,012 | 1,401,260 |
| Capital outlay | 225,169 | 252,822 | 477,991 |
| Debt service | | | |
| Principal | - | 489,312 | 489,312 |
| Interest and fiscal charges | - | 105,840 | 105,840 |
| Total disbursements | 5,014,403 | 1,692,828 | 6,707,231 |
| Excess of receipts over (under) disbursements | 341,174 | (796,191) | (455,017) |
| Other financing sources | | | |
| Loan proceeds | - | 5,103 | 5,103 |
| Transfers in | - | 815,673 | 815,673 |
| Transfers out | (629,324) | (186,349) | (815,673) |
| Total other financing sources | (629,324) | 634,427 | 5,103 |
| Net change in fund balances | (288,150) | (161,764) | (449,914) |
| Fund balances at beginning of year | 1,212,025 | 422,985 | 1,635,010 |
| Fund balances at end of year | \$ 923,875 | \$ 261,221 | \$ 1,185,096 |

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, 2015

GENERAL FUND

| | Original | Final | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|---------------------|-------------------|-------------------|---|
| Receipts | | | | |
| Property and other taxes | \$ 563,199 | \$ 563,199 | \$ 536,021 | \$ (27,178) |
| Municipal income tax | 3,850,000 | 3,760,491 | 3,822,098 | 61,607 |
| Intergovernmental | 134,186 | 174,532 | 159,594 | (14,938) |
| Charges for services | 225,639 | 225,639 | 197,441 | (28,198) |
| Fines, licenses and permits | 506,077 | 486,401 | 541,926 | 55,525 |
| Interest | 60 | 60 | 56 | (4) |
| Miscellaneous | 84,746 | 82,449 | 82,176 | (273) |
| Total receipts | <u>5,363,907</u> | <u>5,292,771</u> | <u>5,339,312</u> | <u>46,541</u> |
| Disbursements | | | | |
| Personnel costs | 2,550,009 | 2,660,009 | 2,652,933 | 7,076 |
| Other | <u>2,973,331</u> | <u>3,030,481</u> | <u>2,974,210</u> | <u>56,271</u> |
| Total disbursements | <u>5,523,340</u> | <u>5,690,490</u> | <u>5,627,143</u> | <u>63,347</u> |
| Net change in fund balances | (159,433) | (397,719) | (287,831) | 109,888 |
| Prior year encumbrances appropriated | - | - | - | - |
| Fund balances at beginning of year | <u>1,210,860</u> | <u>1,210,860</u> | <u>1,210,860</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ 1,051,427</u> | <u>\$ 813,141</u> | <u>\$ 923,029</u> | <u>\$ 109,888</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, 2015

| | Water Fund | Sew er Fund | Storm Water Fund | Total Enterprise Funds |
|-----------------------|-------------------|-------------------|---------------------|------------------------------|
| Assets | | | | |
| Equity in pooled cash | \$ 214,896 | \$ 138,358 | \$ 439,272 | \$ 792,526 |
| Total assets | <u>\$ 214,896</u> | <u>\$ 138,358</u> | <u>\$ 439,272</u> | <u>\$ 792,526</u> |
| Net position | | | | |
| Unrestricted | \$ 214,896 | \$ 138,358 | \$ 439,272 | \$ 792,526 |
| Total net position | <u>\$ 214,896</u> | <u>\$ 138,358</u> | <u>\$ 439,272</u> | <u>\$ 792,526</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, 2015

| | Water Fund | Sewer Fund | Storm Water Fund | Total Enterprise Funds |
|------------------------------------|-------------------|-------------------|---------------------|------------------------------|
| Receipts | | | | |
| Charges for services | \$ 569,216 | \$ 560,737 | \$ 268,293 | \$ 1,398,246 |
| Miscellaneous | 171 | - | - | 171 |
| Total receipts | <u>569,387</u> | <u>560,737</u> | <u>268,293</u> | <u>1,398,417</u> |
| Operating disbursements | | | | |
| Personal services | 267,094 | 161,262 | 155,683 | 584,039 |
| Contractual services | 235,121 | 436,251 | 1,240 | 672,612 |
| Materials and supplies | 58,526 | 13,122 | 73,754 | 145,402 |
| Total operating disbursements | <u>560,741</u> | <u>610,635</u> | <u>230,677</u> | <u>1,402,053</u> |
| Operating income (loss) | <u>8,646</u> | <u>(49,898)</u> | <u>37,616</u> | <u>(3,636)</u> |
| Non-operating disbursements | | | | |
| Capital outlay | (39,430) | (37,542) | (32,921) | (109,893) |
| Principal paid | (21,733) | - | - | (21,733) |
| Total non-operating disbursements | <u>(61,163)</u> | <u>(37,542)</u> | <u>(32,921)</u> | <u>(131,626)</u> |
| Income (loss) before contributions | <u>(52,517)</u> | <u>(87,440)</u> | <u>4,695</u> | <u>(135,262)</u> |
| Capital contributions - tap fees | <u>8,423</u> | <u>61,120</u> | <u>-</u> | <u>69,543</u> |
| Change in net position | (44,094) | (26,320) | 4,695 | (65,719) |
| Net position at beginning of year | <u>258,990</u> | <u>164,678</u> | <u>434,577</u> | <u>858,245</u> |
| Net position at end of year | <u>\$ 214,896</u> | <u>\$ 138,358</u> | <u>\$ 439,272</u> | <u>\$ 792,526</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, 2015

| Assets | <u>Agency</u> |
|-----------------------|-------------------------|
| Equity in pooled cash | <u>\$ 38,650</u> |
| Total assets | <u><u>38,650</u></u> |
| | |
| Net position | |
| Unrestricted | <u>38,650</u> |
| Total net position | <u><u>\$ 38,650</u></u> |

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, 2015

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, 2015

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 is the Village's major governmental fund:

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.

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, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

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

C. BASIS OF ACCOUNTING

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

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

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 2015 was \$ 56 which includes \$ 30 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 14 and 15, 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, 2015

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 \$ 261,221, 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, 2015

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. 68, "Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The implementation of GASB Statement No. 68 did not have any effect on the financial statements of the Village.

GASB Statement No. 71, "Pension Transition for contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68." This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have any effect on the financial statements of the Village.

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 | \$ (287,831) |
| Adjustments, increase (decrease) | |
| Funds budgeted elsewhere ** | <u>(319)</u> |
| Cash basis, as reported | <u>\$ (288,150)</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.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 | Other Governmental Funds | Total Governmental Funds |
|----------------------------------|--------------|--------------------------------|--------------------------------|
| Fund balances | | | |
| Restricted for: | | | |
| Security of persons and property | \$ - | \$ 55,734 | \$ 55,734 |
| Highways and streets | - | 25,556 | 25,556 |
| Capital projects | - | 84,023 | 84,023 |
| Debt service | - | 95,908 | 95,908 |
| | - | 261,221 | 261,221 |
| Assigned | | | |
| Recreation | 846 | - | 846 |
| Unassigned | 923,029 | - | 923,029 |
| Total fund balances | \$ 923,875 | \$ 261,221 | \$ 1,185,096 |

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, 2015

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 \$ 2,016,272 and the bank balance was \$ 2,097,612. Of the bank balance \$ 710,441 was covered by Federal depository insurance and \$ 1,387,171 was uninsured. Of the remaining balance, \$ 1,387,171 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
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2014 taxes

2015 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$ 5.35 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

| | 2015 Collection Year |
|----------------------------------|-------------------------|
| Property valuation consisted of: | |
| Real property | \$ 151,154,510 |
| Public utility property | 5,289,340 |
| Total valuation | \$ 156,443,850 |

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, 2015

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, 2015, the Pool's retention levels are \$ 50,000 and \$100,000 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, 2015 and 2014:

| | 2015 | 2014 |
|---------------------|--------------|--------------|
| Assets | \$ 1,339,719 | \$ 1,030,198 |
| Liabilities | (1,051,927) | (882,203) |
| Accumulated surplus | \$ 287,792 | \$ 147,995 |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEBT

The changes in the Village's long-term debt during 2015 were as follows:

| | Restated Outstanding 12/31/2014 | Additions | Payments | Outstanding 12/31/2015 | Due in One Year |
|-------------------------------------|---------------------------------------|-----------------|-------------------|---------------------------|--------------------|
| <u>Governmental activities</u> | | | | | |
| General obligation bonds | | | | | |
| Street improvement (2005) | | | | | |
| Varying % through 2025 | \$ 115,000 | \$ - | \$ 115,000 | \$ - | \$ - |
| Various purposed (2014) | | | | | |
| Varying % through 2031 | <u>3,375,000</u> | <u>-</u> | <u>185,000</u> | <u>3,190,000</u> | <u>310,000</u> |
| Total general obligation bonds | <u>3,490,000</u> | <u>-</u> | <u>300,000</u> | <u>3,190,000</u> | <u>310,000</u> |
| Special assessment bonds | | | | | |
| with governmental commitment | | | | | |
| Various purpose (1999) | | | | | |
| Varying % through 2019 | <u>255,000</u> | <u>-</u> | <u>45,000</u> | <u>210,000</u> | <u>50,000</u> |
| Total special assessment bonds | <u>255,000</u> | <u>-</u> | <u>45,000</u> | <u>210,000</u> | <u>50,000</u> |
| Ohio Public Works Commission (OPWC) | | | | | |
| Road resurfacing (2007) | | | | | |
| 0% through 2026 | 1,523 | - | 132 | 1,391 | 132 |
| Roadimprovements (2014) | | | | | |
| 0% through 2030 | <u>232,244</u> | <u>5,103</u> | <u>15,823</u> | <u>221,524</u> | <u>15,823</u> |
| | <u>233,767</u> | <u>5,103</u> | <u>15,955</u> | <u>222,915</u> | <u>15,955</u> |
| County engineer loan payable | <u>180,000</u> | <u>-</u> | <u>30,000</u> | <u>150,000</u> | <u>30,000</u> |
| Total governmental activities | <u>\$ 4,158,767</u> | <u>\$ 5,103</u> | <u>\$ 390,955</u> | <u>\$ 3,772,915</u> | <u>\$ 405,955</u> |

OPWC loans balance in Governmental Activities has been restated to include loan proceeds that were previously recorded as intergovernmental revenue.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 – DEBT (continued)

| | Outstanding 12/31/2014 | Additions | Payments | Outstanding 12/31/2015 | Due in One Year |
|---|---------------------------|-------------|-------------------|---------------------------|--------------------|
| <u>Business-type activities</u> | | | | | |
| Special assessment bonds | | | | | |
| with governmental commitment | | | | | |
| Sewer improvements (1994) | | | | | |
| 6.750% through 2015 | \$ 35,000 | \$ - | \$ 35,000 | \$ - | \$ - |
| Sewer improvements (1996) | | | | | |
| various % through 2016 | 85,000 | - | 40,000 | 45,000 | 45,000 |
| Waterline improvements (1997) | | | | | |
| various % through 2017 | 10,000 | - | 3,000 | 7,000 | 3,000 |
| Total special assessment bonds | <u>130,000</u> | <u>-</u> | <u>78,000</u> | <u>52,000</u> | <u>48,000</u> |
| Ohio Public Works Commission (OPWC) | | | | | |
| Water Main Replacement, Phase I (1999) | | | | | |
| 0% through 2019 | 10,373 | - | 2,305 | 8,068 | 2,305 |
| Water Main Replacement, Phase II (1999) | | | | | |
| 0% through 2019 | 16,875 | - | 3,750 | 13,125 | 3,750 |
| Water Main Replacement (2002) | | | | | |
| 0% through 2022 | 31,388 | - | 4,484 | 26,904 | 4,484 |
| Water Line Replacement (2010) | | | | | |
| 0% through 2030 | 51,507 | - | 4,682 | 46,825 | 4,682 |
| Water Line Replacement (2006) | | | | | |
| 0% through 2026 | 74,198 | - | 4,787 | 69,411 | 4,787 |
| Water Line Replacement (2010) | | | | | |
| 0% through 2040 | 43,976 | - | 1,725 | 42,251 | 1,725 |
| Total OPWC loans | <u>228,317</u> | <u>-</u> | <u>21,733</u> | <u>206,584</u> | <u>21,733</u> |
| Ohio Water Development Authority (OWDA) | | | | | |
| Sanitary sewer refinancing (1997) | | | | | |
| 4.160% through 2016 | 30,846 | - | 20,357 | 10,489 | 10,489 |
| Total business-type activities | <u>\$ 389,163</u> | <u>\$ -</u> | <u>\$ 120,090</u> | <u>\$ 269,073</u> | <u>\$ 80,222</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, 2015

NOTE 10 – 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 |
| 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 | 325,000 | 48,225 | - | - |
| 2021 - 2025 | 1,290,000 | 141,075 | - | - |
| 2026 - 2030 | 250,000 | 45,488 | - | - |
| 2031 - 2035 | 55,000 | 1,788 | - | - |
| | \$ 3,190,000 | \$ 493,276 | \$ 210,000 | \$ 32,100 |

| Year | Governmental Activities | | | |
|-------------|-------------------------|-----------------|--------------|------------|
| | OPWC loans | County Engineer | Total | |
| | Principal | Principal | Principal | Interest |
| 2016 | \$ 15,955 | \$ 30,000 | \$ 405,955 | \$ 86,225 |
| 2017 | 15,955 | 30,000 | 415,955 | 77,025 |
| 2018 | 15,955 | 30,000 | 420,955 | 67,625 |
| 2019 | 15,955 | 30,000 | 420,955 | 57,925 |
| 2020 | 15,956 | 30,000 | 370,956 | 48,225 |
| 2021 - 2025 | 79,779 | - | 1,369,779 | 141,075 |
| 2026 - 2030 | 63,360 | - | 313,360 | 45,488 |
| 2031 - 2035 | - | - | 55,000 | 1,788 |
| | \$ 222,915 | \$ 150,000 | \$ 3,772,915 | \$ 525,376 |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 – DEBT (continued)

| Year | Business-type Activities | | | |
|-------------|--------------------------|-----------------|------------------|---------------|
| | Special Assessment Bonds | | OWDA loans | |
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 48,000 | \$ 3,084 | \$ 10,489 | \$ 226 |
| 2017 | 4,000 | 232 | - | - |
| 2018 | - | - | - | - |
| 2019 | - | - | - | - |
| 2020 | - | - | - | - |
| 2021 - 2025 | - | - | - | - |
| 2026 - 2030 | - | - | - | - |
| 2031 - 2035 | - | - | - | - |
| 2036 - 2040 | - | - | - | - |
| | <u>\$ 52,000</u> | <u>\$ 3,316</u> | <u>\$ 10,489</u> | <u>\$ 226</u> |

| Year | Business-type Activities | | |
|-------------|--------------------------|-------------------|-----------------|
| | OPWC loans | Total | |
| | Principal | Principal | Interest |
| 2016 | \$ 21,733 | \$ 80,222 | \$ 3,310 |
| 2017 | 21,733 | 25,733 | 232 |
| 2018 | 21,733 | 21,733 | - |
| 2019 | 18,706 | 18,706 | - |
| 2020 | 15,678 | 15,678 | - |
| 2021 - 2025 | 60,459 | 60,459 | - |
| 2026 - 2030 | 30,164 | 30,164 | - |
| 2031 - 2035 | 8,620 | 8,620 | - |
| 2036 - 2040 | 7,758 | 7,758 | - |
| | <u>\$ 206,584</u> | <u>\$ 269,073</u> | <u>\$ 3,542</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 –DEFEASED DEBT

In 2014 the Village defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Village’s financial statements. At December 31, 2015, \$ 2,395,000 of bonds outstanding are considered defeased

NOTE 12 - INTERFUND TRANSFERS

The General Fund transfers to other non-major governmental funds were made to provide additional resources for current operations, capital improvements and debt service. The French Creek TIF Fund and the Detroit Road TIF Fund, non-major governmental funds, transferred \$ 46,942 and \$ 139,407, respectively, for debt service.

| | <u>Tranferred From:</u> | | <u>Total</u> |
|------------------------------|-------------------------|---|-------------------|
| | <u>General Fund</u> | <u>Non-major Governmental Funds</u> | |
| Transfer to: | | | |
| Non-major governmental funds | <u>\$ 629,324</u> | <u>\$ 186,349</u> | <u>\$ 815,673</u> |

NOTE 13 - LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$ 357,516 to pay lease costs for the year ended December 31, 2015. Future lease payments are as follows:

| <u>Year End</u> | <u>Total</u> |
|-----------------|-------------------|
| 2016 | \$ 330,549 |
| 2017 | 34,363 |
| 2018 | 29,731 |
| | <u>\$ 394,643</u> |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|--|--|--|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>State and Local</u> | <u>Public Safety</u> | <u>Law Enforcement</u> |
|---|----------------------------|--------------------------|----------------------------|
| 2015 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0% | 18.1% | 18.1% |
| Employee: | 10.0% | * | ** |
| 2015 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 12.0% | 16.1% | 16.1% |
| Post-employment Health Care Benefits | 2.0% | 2.0% | 2.0% |
| Total Employer | <u>14.0%</u> | <u>18.1%</u> | <u>18.1%</u> |
| Employee | <u>10.0%</u> | <u>12.0%</u> | <u>13.0%</u> |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 370,459 for year 2015.

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF) (continued)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>Police</u> | <u>Firefighters</u> |
|---|---------------|---------------------|
| 2015 Statutory Maximum Contribution Rates | | |
| Employer | 19.50% | 24.00% |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50% | 11.50% |
| July 2, 2015 through December 31, 2015 | 12.25% | 12.25% |
| 2015 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00% | 23.50% |
| Post-employment Health Care Benefits | <u>0.50%</u> | <u>0.50%</u> |
| Total Employer | <u>19.50%</u> | <u>24.00%</u> |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50% | 11.50% |
| July 2, 2015 through December 31, 2015 | 12.25% | 12.25% |

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF) (continued)

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$ 370,459 for 2015.

NOTE 15 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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 health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both 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 2014 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 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 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 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 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 Pension Plan and Combined Plan was 2.0% during calendar year 2015. 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 OPERS for the years ending December 31, 2015, 2014, and 2013 were \$ 200,484, \$ 198,026 and \$ 180,167 respectively, of which \$ 28,641, \$ 28,278 and \$ 51,474 was allocated to the healthcare plan.

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.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

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 .5% of covered payroll from January 1, 2015 through December 31, 2015. 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 contributions to OP&F for the years ending December 31, 2015, 2014 and 2013 were \$ 370,459, \$ 366,316 and \$ 335,502, respectively, of which \$ 8,415, \$ 47,433 and \$ 103,023, respectively, was allocated to the healthcare plan.

NOTE 16 – SUBSEQUENT EVENTS

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



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Village of Sheffield
Lorain County
4820 Detroit Road
Sheffield Village, OH 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, the 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 22, 2017, 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.

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

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

Compliance and Other Matters

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

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.

**Alger and
Associates Inc**

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Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
May 22, 2017

VILLAGE OF SHEFFIELD
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2014-001 | Material Weakness/Noncompliance: Establish a bond retirement fund. | Yes | Finding No Longer Valid |

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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
JUNE 29, 2017