



**Auditor of State  
Betty Montgomery**



VILLAGE OF SHEFFIELD  
LORAIN COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying financial statements of the Village of Sheffield, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Sheffield, Lorain County, Ohio as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

June 26, 2003

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**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,848,924	\$0	\$0	\$181,701	\$2,030,625
Special Assessments	0	0	\$264,508	0	264,508
Intergovernmental Receipts	186,794	202,635	0	30,000	419,429
Charges for Services	42,608	2,400	0	0	45,008
Fines, Licenses, and Permits	696,624	68,054	0	0	764,678
Earnings on Investments	17,144	0	0	0	17,144
Miscellaneous	118,357	10,344	0	0	128,701
	<u>2,910,451</u>	<u>283,433</u>	<u>264,508</u>	<u>211,701</u>	<u>3,670,093</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,821,964	43,171	0	0	1,865,135
Public Health Services	0	4,952	0	0	4,952
Leisure Time Activities	0	12,951	0	0	12,951
Basic Utility Services	0	46,069	0	0	46,069
Transportation	0	150,594	0	0	150,594
General Government	569,529	0	9,067	0	578,596
Debt Service:					
Principal Payments	200,000	0	99,919	6,943,308	7,243,227
Interest Payments	5,920	0	132,502	213,745	352,167
Capital Outlay	130,185	12,305	0	186,388	328,878
	<u>2,727,598</u>	<u>270,042</u>	<u>241,488</u>	<u>7,343,441</u>	<u>10,582,569</u>
<b>Total Cash Disbursements</b>					
<b>Total Receipts Over/(Under) Disbursements</b>	<u>182,853</u>	<u>13,391</u>	<u>23,020</u>	<u>(7,131,740)</u>	<u>(6,912,476)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes	0	0	0	6,925,000	6,925,000
Premium on the Sale of Bonds	0	0	0	13,582	13,582
Loan Proceeds	0	0	0	12,000	12,000
Transfers-In	0	21,115	0	0	21,115
Transfers-Out	(21,115)	0	0	0	(21,115)
Other Financing Sources/Uses	(85,298)	0	0	80,660	(4,638)
	<u>(106,413)</u>	<u>21,115</u>	<u>0</u>	<u>7,031,242</u>	<u>6,945,944</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	76,440	34,506	23,020	(100,498)	33,468
Fund Cash Balances, January 1, 2002	237,344	197,033	128,227	564,577	1,127,181
<b>Fund Cash Balances, December 31, 2002</b>	<u><u>\$313,784</u></u>	<u><u>\$231,539</u></u>	<u><u>\$151,247</u></u>	<u><u>\$464,079</u></u>	<u><u>\$1,160,649</u></u>
Reserves for Encumbrances, December 31, 2002	\$16,646	\$252	\$0	\$36,108	\$53,006

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

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - THE PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$925,265	\$0	\$925,265
Miscellaneous	0	221	221
Mayor's Court	0	481,413	481,413
	<u>925,265</u>	<u>481,634</u>	<u>1,406,899</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	279,174	0	279,174
Fringe Benefits	25	0	25
Contractual Services	624,871	0	624,871
Supplies and Materials	53,429	0	53,429
Mayor's Court	0	478,800	478,800
	<u>957,499</u>	<u>478,800</u>	<u>1,436,299</u>
Operating Income/(Loss)	<u>(32,234)</u>	<u>2,834</u>	<u>(29,400)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(32,234)	2,834	(29,400)
Transfers-In	0	0	0
Transfers-Out	0	0	0
Net Receipts Over/(Under) Disbursements	(32,234)	2,834	(29,400)
Fund Cash Balances, January 1, 2002	<u>588,480</u>	<u>35,386</u>	<u>623,866</u>
<b>Fund Cash Balances, December 31, 2002</b>	<b><u>\$556,246</u></b>	<b><u>\$38,220</u></b>	<b><u>\$594,466</u></b>
Reserve for Encumbrances, December 31, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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



**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,728,310	\$0	\$0	\$0	\$1,728,310
Special Assessments	0	0	230,651	0	230,651
Intergovernmental Receipts	311,463	187,619	0	584,422	1,083,504
Charges for Services	172,469	6,150	0	0	178,619
Fines, Licenses, and Permits	602,013	43,860	0	0	645,873
Earnings on Investments	56,294	0	0	0	56,294
Miscellaneous	79,389	4,063	0	0	83,452
<b>Total Cash Receipts</b>	<b>2,949,938</b>	<b>241,692</b>	<b>230,651</b>	<b>584,422</b>	<b>4,006,703</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,680,527	43,067	0	0	1,723,594
Public Health Services	16,145	0	0	0	16,145
Leisure Time Activities	0	19,894	0	0	19,894
Basic Utility Services	0	61,529	0	0	61,529
Transportation	0	158,729	0	0	158,729
General Government	749,772	0	8,909	0	758,681
Debt Service:					
Principal Payments	400,000	0	99,439	4,942,354	5,441,793
Interest Payments	8,690	0	138,392	233,938	381,020
Capital Outlay	128,833	0	0	809,072	937,905
<b>Total Cash Disbursements</b>	<b>2,983,967</b>	<b>283,219</b>	<b>246,740</b>	<b>5,985,364</b>	<b>9,499,290</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(34,029)</b>	<b>(41,527)</b>	<b>(16,089)</b>	<b>(5,400,942)</b>	<b>(5,492,587)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes	200,000	0	0	4,925,000	5,125,000
Loan Proceeds	0	0	0	89,680	89,680
Transfers-In	14,250	17,500	0	310,004	341,754
Transfers-Out	(327,504)	0	0	0	(327,504)
Other Financing Sources/Uses	(104,265)	0	0	129,437	25,172
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(217,519)</b>	<b>17,500</b>	<b>0</b>	<b>5,454,121</b>	<b>5,254,102</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(251,548)</b>	<b>(24,027)</b>	<b>(16,089)</b>	<b>53,179</b>	<b>(238,485)</b>
<b>Fund Cash Balances, January 1, 2001</b>	<b>488,892</b>	<b>221,060</b>	<b>144,316</b>	<b>511,398</b>	<b>1,365,666</b>
<b>Fund Cash Balances, December 31, 2001</b>	<b>\$237,344</b>	<b>\$197,033</b>	<b>\$128,227</b>	<b>\$564,577</b>	<b>\$1,127,181</b>
<b>Reserves for Encumbrances, December 31, 2001</b>	<b>\$27,306</b>	<b>\$596</b>	<b>\$0</b>	<b>\$42,101</b>	<b>\$70,003</b>

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

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - THE PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$887,355	\$0	\$887,355
Miscellaneous	\$0	\$345	\$345
Mayor's Court	385	519,018	519,403
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	887,740	519,363	1,407,103
	<hr/>	<hr/>	<hr/>
<b>Operating Cash Disbursements:</b>			
Personal Services	290,212	0	290,212
Fringe Benefits	46	0	46
Contractual Services	476,495	0	476,495
Supplies and Materials	53,328	0	53,328
Mayor's Court	0	528,935	528,935
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	820,081	528,935	1,349,016
	<hr/>	<hr/>	<hr/>
Operating Income/(Loss)	67,659	(9,572)	58,087
	<hr/>	<hr/>	<hr/>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	67,659	(9,572)	58,087
	<hr/>	<hr/>	<hr/>
Transfers-In	0	0	0
Transfers-Out	0	(14,250)	(14,250)
	<hr/>	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	67,659	(23,822)	43,837
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1, 2001	520,821	59,208	580,029
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31, 2001</b>	<b><u>\$588,480</u></b>	<b><u>\$35,386</u></b>	<b><u>\$623,866</u></b>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31, 2001	\$0	\$0	\$0
	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Sheffield, Lorain County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire services.

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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 disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

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

**3. Debt Service Funds**

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

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

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

**4. Capital Project Funds**

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

*Capital Projects Construction Fund* - This fund is used to account for the acquisition or construction of major capital projects. This fund receives proceeds of general obligation bonds and notes that are issued for the purpose of acquiring or constructing major capital projects.

VILLAGE OF SHEFFIELD  
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds

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

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

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

6. Fiduciary Funds (Trust and Agency Funds)

This fund is used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organization, other governmental units and/or other fund. The Village had the following significant fiduciary fund:

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2002	2001
Demand deposits	\$1,663,245	\$1,584,319
Certificates of deposit	11,870	11,728
Total deposits	1,675,115	1,596,047
Sweep repurchase agreement	80,000	155,000
Total deposits and investments	\$1,755,115	\$1,751,047

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

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

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,922,073	\$2,910,451	(\$11,622)
Special Revenue	271,208	304,548	\$33,340
Debt Service	249,150	264,508	\$15,358
Capital Projects	7,243,543	7,242,943	(\$600)
Enterprise	898,000	925,265	\$27,265
Total	<u>\$11,583,974</u>	<u>\$11,647,715</u>	<u>\$63,741</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,941,112	\$2,850,657	\$90,455
Special Revenue	391,370	270,294	121,076
Debt Service	249,150	241,488	7,662
Capital Projects	7,808,122	7,379,549	428,573
Enterprise	1,089,597	957,499	132,098
Total	<u>\$12,479,351</u>	<u>\$11,699,487</u>	<u>\$779,864</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,880,257	\$3,164,188	(\$716,069)
Special Revenue	265,563	259,192	(\$6,371)
Debt Service	230,651	230,651	\$0
Capital Projects	6,007,622	6,038,543	\$30,921
Enterprise	917,622	887,740	(\$29,882)
Total	<u>\$11,301,715</u>	<u>\$10,580,314</u>	<u>(\$721,401)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,272,559	\$3,443,042	\$829,517
Special Revenue	354,137	283,815	70,322
Debt Service	247,727	246,740	987
Capital Projects	6,078,542	6,027,465	51,077
Enterprise	841,396	820,081	21,315
Total	<u>\$11,794,361</u>	<u>\$10,821,143</u>	<u>\$973,218</u>

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. PROPERTY TAX**

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

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

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

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax directly to the Village or to the Regional Income Tax Agency which is used by the Village to collect income taxes. Income tax withholdings are remitted either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.



**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond	\$2,000,000	2.20-5.50%
Special Assessment Bonds:		
Evergreen Parkway	410,000	5.15-7.25%
Abbe Road	330,000	6.75%
I-90 Sewer Improvement	435,000	5.85-5.95%
Oster Road	46,000	5.80-7.25%
Commercial Drive	<u>635,000</u>	5.25-6.00%
Total Special Assessment Bonds	1,856,000	
Ohio Public Works Commission Loans:		
French Creek Resurfacing	32,424	0%
East River Water Phase I	38,033	0%
East River Water Phase II	61,875	0%
East River Water Phase III	85,196	0%
Ford Road	<u>11,400</u>	0%
Total OPWC Loans	228,928	
Ohio Water Development Authority Loan:		
French Creek Road	<u>219,661</u>	4.16%
Total OWDA Loan	219,661	
General Obligation Notes		
Various Purpose	<u>2,925,000</u>	2.00%
Total	<u>\$7,229,589</u>	

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

The Ohio Public Works Commission (OPWC) loans are for the French Creek, Ford Road, and East River water mains.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project on French Creek Road. The loan will be repaid in semi-annual installments of \$10,715, including interest, over twenty years.

The General Obligation Bonds are collateralized by the Village's taxing authority.

During 2001, the Village issued the following note: General Obligation Various Purpose Note was issued in the amount of \$5,125,000 in anticipation of the issuance of bonds, \$2,200,000 of this amount to pay costs of renovating remodeling, adding to, furnishing, equipping and otherwise improving the Village's Municipal Complex and its site, \$2,725,000 to pay costs of constructing new public roadways with sanitary sewer, water and storm sewer line, and \$200,000 in anticipation of the issuance of bonds to pay a portion of the costs of acquiring an aerial platform, ladder and pumper fire truck.

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. DEBT (Continued)**

During 2002, the Village issued the following notes: General Obligation Various Purpose Note was issued in the amount of \$2,925,000 in anticipation of the issuance of bonds, \$2,725,000 to pay costs of constructing new public roadways with sanitary sewer, water and storm sewer line, and \$200,000 in anticipation of the issuance of bonds to pay a portion of the costs of acquiring an aerial platform, ladder and pumper fire truck. Also, a General Obligation Municipal Complex Improvement Note was issued in the amount of \$2,000,000 in anticipation of the issuance of bonds to pay costs of renovating, remodeling, adding to, furnishing, equipping and otherwise improving the Village's Municipal Complex and its site.

During 2002, the Village issued the following bond: General Obligation Municipal Complex Improvement Bond was issued in the amount of \$2,000,000 to pay costs of renovating, remodeling, adding to, furnishing, equipping and otherwise improving the Village's Municipal Complex and its site.

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

	General Obligation Bonds	Special Assessment Bonds	OPWC Loans	OWDA Loans	General Obligation Note
Year ending December 31:					
2003	\$157,335	\$215,356	\$7,491	\$10,715	\$2,925,000
2004	160,905	214,095	14,981	21,430	0
2005	158,980	217,498	14,981	21,430	0
2006	161,775	210,243	14,981	21,430	0
2007	159,225	212,988	14,981	21,430	0
Subsequent	2,388,920	1,755,190	161,512	192,873	0
Total	<u>\$3,187,140</u>	<u>\$2,825,370</u>	<u>\$228,927</u>	<u>\$289,308</u>	<u>\$2,925,000</u>

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

**Self Insurance**

In April 2000, the Village established a self insured program to provide health benefits to full-time employees. The self insured program paid covered claims to service providers and recovered those costs from charges to other funds based on claims paid by the claims administrator.

On January 1, 2002, the Village joined the Lorain County Health Care Insurance Program. This premium based program provides health insurance and dental and vision coverage to officers and employees of the Village.

**9. CONTINGENT LIABILITIES**

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

**VILLAGE OF SHEFFIELD  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**9. CONTINGENT LIABILITIES (Continued)**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**10. SUBSEQUENT EVENTS**

In January 2003, the Village issued \$2,525,000 various purpose notes.



**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Sheffield, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated June 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 26, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 26, 2003.

Village of Sheffield  
Lorain County  
Report of Independent Accountants' on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 26, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
AUGUST 19, 2003**