

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

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

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sheffield, Ohio, Lorain County (the Village), as of and for the year ended December 31, 2019 and related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents, in accordance with the cash basis of accounting, and determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As disclosed in the notes to the basic financial statements, summary of significant accounting policies, these financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 11, and the budgetary comparisons on pages 18 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Costin and Kendall

February 19, 2020

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VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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, 2019, 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 2019 are as follows

Net position of governmental activities increased \$ 506,989 or 23.5% in 2019. This was the result of increases in the General Fund, Street Construction Maintenance and Repair Fund (SCMR), and Other Governmental Funds of \$ 304,338, \$ 77,107 and \$ 125,544, respectively.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 60.7 percent and 12.2 percent of the total cash received for governmental activities during the year.

Net position of business-type activities increased \$ 231,571 from 2018. Net position increased in the Water Fund and Sewer Fund by \$ 93,648 and \$ 155,900, respectively. The Storm Water Fund decreased by \$ 17,977.

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.

See accountant's compilation report.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 2019, 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.

See accountant's compilation report.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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Fund Financial Statements

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2019 compared to 2018 on a cash basis.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
Assets						
Equity in pooled cash	\$ 2,666,754	\$ 2,159,765	\$ 1,149,533	\$ 917,962	\$ 3,816,287	\$ 3,077,727
Total assets	<u>\$ 2,666,754</u>	<u>\$ 2,159,765</u>	<u>\$ 1,149,533</u>	<u>\$ 917,962</u>	<u>\$ 3,816,287</u>	<u>\$ 3,077,727</u>
Net position						
Restricted for:						
Capital projects	\$ 256,062	\$ 300,973	\$ -	\$ -	\$ 256,062	\$ 300,973
Debt service	112,953	111,087	-	-	112,953	111,087
Other	738,740	493,044	-	-	738,740	493,044
Unrestricted	1,558,999	1,254,661	1,149,533	917,962	2,708,532	2,172,623
Total net position	<u>\$ 2,666,754</u>	<u>\$ 2,159,765</u>	<u>\$ 1,149,533</u>	<u>\$ 917,962</u>	<u>\$ 3,816,287</u>	<u>\$ 3,077,727</u>

See accountant's compilation report.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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As mentioned previously, net position of governmental activities increased \$ 506,989 or 23.5 percent from 2018

Table 2 reflects the changes in net position in 2019 compared to 2018 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Receipts						
Program receipts						
Charges for services	\$ 751,912	\$ 950,161	\$ 1,692,730	\$ 1,602,693	\$ 2,444,642	\$ 2,552,854
Operating grants and contributions	46,056	7,145	-	-	46,056	7,145
Capital grants and contributions	150,689	1,194,607	179,902	116,458	330,591	1,311,065
Total program receipts	<u>948,657</u>	<u>2,151,913</u>	<u>1,872,632</u>	<u>1,719,151</u>	<u>2,821,289</u>	<u>3,871,064</u>
General receipts						
Property and other local taxes	990,590	938,103	-	-	990,590	938,103
Payments in lieu of taxes	538,954	605,608	-	-	538,954	605,608
Municipal income taxes	4,920,782	4,353,808	-	-	4,920,782	4,353,808
Grants and entitlements	362,652	380,571	-	-	362,652	380,571
Interest	13,533	291	-	-	13,533	291
Other	337,813	7,536	-	-	337,813	7,536
Total general receipts	<u>7,164,324</u>	<u>6,285,917</u>	<u>-</u>	<u>-</u>	<u>7,164,324</u>	<u>6,285,917</u>
Total receipts	<u>\$ 8,112,981</u>	<u>\$ 8,437,830</u>	<u>\$ 1,872,632</u>	<u>\$ 1,719,151</u>	<u>\$ 9,985,613</u>	<u>\$ 10,156,981</u>

(continued on next page)

See accountant's compilation report.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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Table 2
Change in Net Position
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program cash disbursements						
Security of persons and property	\$ 4,606,463	\$ 4,176,992	\$ -	\$ -	\$ 4,606,463	\$ 4,176,992
Leisure time activities	44,087	30,056	-	-	44,087	30,056
Community environment	7,592	8,561	-	-	7,592	8,561
Basic utility services	25,894	23,022	-	-	25,894	23,022
Transportation	203,249	256,673	-	-	203,249	256,673
General government	1,608,676	1,622,068	-	-	1,608,676	1,622,068
Capital outlay	628,888	1,379,621	-	-	628,888	1,379,621
Principal	423,217	420,955	-	-	423,217	420,955
Interest and fiscal charges	57,926	67,625	-	-	57,926	67,625
Water	-	-	966,301	676,017	966,301	676,017
Sewer	-	-	667,883	831,443	667,883	831,443
Storm water sewer	-	-	290,971	275,975	290,971	275,975
Total program cash disbursements	<u>7,605,992</u>	<u>7,985,573</u>	<u>1,925,155</u>	<u>1,783,435</u>	<u>9,531,147</u>	<u>9,769,008</u>
Increase (decrease)						
in net position	506,989	452,257	(52,523)	(64,284)	454,466	387,973
Net position, at beginning						
of year, restated	<u>2,159,765</u>	<u>1,707,508</u>	<u>917,962</u>	<u>982,246</u>	<u>3,077,727</u>	<u>2,689,754</u>
Net position, at						
end of year	<u>\$ 2,666,754</u>	<u>\$ 2,159,765</u>	<u>\$ 865,439</u>	<u>\$ 917,962</u>	<u>\$ 3,532,193</u>	<u>\$ 3,077,727</u>

Governmental Activities

Program receipts represent 11.7 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 88.3 percent of the Village's total receipts of governmental activities, and of this amount, 82.5 percent are property and municipal income taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

See accountant's compilation report.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 60.6 percent and 21.2 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	\$ 4,606,463	\$ (4,154,009)
Leisure time activities	44,087	(27,487)
Community environment	7,592	3,479
Basic utility services	25,894	(25,894)
Transportation	203,249	(203,249)
General government	1,608,676	(1,288,426)
Capital outlay	628,888	(540,772)
Principal	423,217	(366,351)
Interest and fiscal charges	57,926	(54,626)
Total governmental activities	<u>\$ 7,605,992</u>	<u>\$ (6,657,335)</u>

The dependence upon property and income tax receipts is apparent as 77.7 percent of governmental activities are supported through these general receipts.

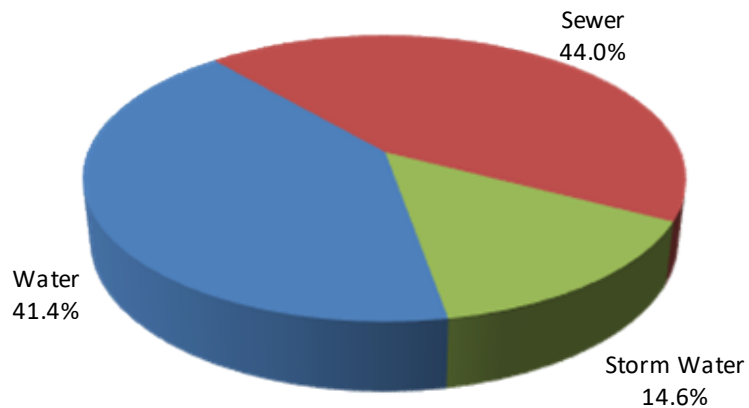
See accountant's compilation report.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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Business-type Activities

The primary source of receipts for the business-type activities is charges for services, which was 90.4 percent of total receipts.

Receipts, Business-type Activities



Disbursements, Business-type Activities



See accountant's compilation report.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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The Village's Funds

Total governmental funds had receipts of \$ 8,112,981, disbursements of \$ 7,605,992. Within the governmental funds, General Fund, Street Construction Maintenance and Repair Fund (SCMR), and Other Governmental Funds had increases of \$ 304,338, \$ 77,107 and \$ 125,544, respectively.

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 2019, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were the same as original budgeted receipts. Actual receipts were more than final budgeted amount by \$ 167,060.

General Fund original appropriations were \$ 5,716,445 and final appropriations were \$ 6,002,231. Actual disbursements were \$ 336,705 less than the final budgeted amount.

During 2019, the Village amended its SCMR budget to reflect changing circumstances. Final budgeted receipts were the same as original budgeted receipts. Actual receipts were more than final budgeted amount by \$ 50,567.

Original appropriations were \$ 327,347 and final appropriations were \$ 330,715. Actual disbursements were \$ 93,848 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	
	2019	2018	2019	2018	2019	2018
Bonds						
General obligations	\$ 1,920,000	\$ 2,240,000	\$ -	\$ -	\$ 1,920,000	\$ 2,240,000
Special assessment	-	55,000	-	-	-	55,000
OWDA loans	-	-	278,787	-	278,787	-
OPWC loans *	247,313	265,530	122,679	141,385	369,992	406,915
Note payable	30,000	60,000	-	-	30,000	60,000
	<u>\$ 2,197,313</u>	<u>\$ 2,620,530</u>	<u>\$ 401,466</u>	<u>\$ 141,385</u>	<u>\$ 2,598,779</u>	<u>\$ 2,761,915</u>

* The beginning balance has been restated to include an OPWC loan that had previously been accounted for as grant proceeds. There was no restatement to fund balances.

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.

See accountant's compilation report.

VILLAGE OF SHEFFIELD
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
UNAUDITED

Current Issues

The Village continued to see growth in residential housing starts. Phase 1 of a luxury apartment complex, The Preserve, was completed and construction of Phase 2 of the project is nearing completion. Construction of Phase 3, cluster homes starting at \$ 400,000 is well underway. Construction also continues in the Estates of Sheffield housing development. There were 44 residential occupancy permits issued in 2019.

Commercial building activity has also increased with 25 Occupancy Permits issued in 2019. In the French Creek Business Park, through a Tax Increment Financing agreement, completed was the construction of a 107,000 square foot "State-of-the Art" industrial complex. Phase 2 of this project, another 100,000 square foot building is under construction. Also, in the business park, construction of two other building has begun. It was also announced that a permanent Veterans Administration hospital facility will be built in the Village. Construction of the facility is scheduled to be completed and opened by the end of year 2020. Ford motor company has announced an investment of \$ 1.3 billion dollars to be made at the Ford Plant which is partially located in Sheffield Village. This investment is targeted to bring in 1500 new jobs to the plant. There were 18 commercial occupancy permits issued in 2019.

Collective Bargaining agreements were negotiated and are in place through March 31, 2023 for all unions within the police and fire departments.

On August 27, 2019 Standard and Poor's Global Ratings upgraded the Village credit rating on long term debt from AA- to AA with a stable outlook.

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, Fiscal Officer, Village of Sheffield, 4820 Detroit Road, Sheffield, Ohio 44035.

See accountant's compilation report.

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VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 2,666,754	\$ 1,149,533	\$ 3,816,287
Total assets	<u>\$ 2,666,754</u>	<u>\$ 1,149,533</u>	<u>\$ 3,816,287</u>
Net position			
Restricted for:			
Capital projects	\$ 256,062	\$ -	\$ 256,062
Debt service	112,953	-	112,953
Highways and streets	404,308	-	404,308
Security of persons and property	321,411	-	321,411
Other	13,021	-	13,021
Unrestricted	1,558,999	1,149,533	2,708,532
Total net position	<u>\$ 2,666,754</u>	<u>\$ 1,149,533</u>	<u>\$ 3,816,287</u>

See accompanying notes to the basic financial statements and accountant's compilation report.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	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	\$ 4,606,463	\$ 412,369	\$ 40,085	\$ -
Leisure time activities	44,087	16,600	-	-
Community environment	7,592	5,100	5,971	-
Basic utility services	25,894	-	-	-
Transportation	203,249	-	-	-
General government	1,608,676	317,843	-	2,407
Capital outlay	628,888	-	-	88,116
Principal	423,217	-	-	56,866
Interest and fiscal charges	57,926	-	-	3,300
Total governmental activities	<u>7,605,992</u>	<u>751,912</u>	<u>46,056</u>	<u>150,689</u>
Business-type activities				
Water	966,301	735,961	-	39,894
Sewer	667,883	683,775	-	140,008
Storm water sewer	290,971	272,994	-	-
Total business-type activities	<u>1,925,155</u>	<u>1,692,730</u>	<u>-</u>	<u>179,902</u>
Total	<u>\$ 9,531,147</u>	<u>\$ 2,444,642</u>	<u>\$ 46,056</u>	<u>\$ 330,591</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, restated

Net position at end of year

See accompanying notes to the basic financial statements and accountant's compilation report.

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,154,009)	\$ -	\$ (4,154,009)
(27,487)	-	(27,487)
3,479	-	3,479
(25,894)	-	(25,894)
(203,249)	-	(203,249)
(1,288,426)	-	(1,288,426)
(540,772)	-	(540,772)
(366,351)	-	(366,351)
(54,626)	-	(54,626)
<u>(6,657,335)</u>	<u>-</u>	<u>(6,657,335)</u>
-	(190,446)	(190,446)
-	155,900	155,900
-	(17,977)	(17,977)
<u>-</u>	<u>(52,523)</u>	<u>(52,523)</u>
<u>(6,657,335)</u>	<u>(52,523)</u>	<u>(6,709,858)</u>
659,728	-	659,728
330,862	-	330,862
538,954	-	538,954
4,920,782	-	4,920,782
362,652	-	362,652
-	284,094	284,094
13,533	-	13,533
337,813	-	337,813
<u>7,164,324</u>	<u>284,094</u>	<u>7,448,418</u>
506,989	231,571	738,560
<u>2,159,765</u>	<u>917,962</u>	<u>3,077,727</u>
<u>\$ 2,666,754</u>	<u>\$ 1,149,533</u>	<u>\$ 3,816,287</u>

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	SCMR Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 1,558,999	\$ 363,968	\$ 743,787	\$ 2,666,754
Total assets	<u>\$ 1,558,999</u>	<u>\$ 363,968</u>	<u>\$ 743,787</u>	<u>\$ 2,666,754</u>
Fund balances				
Restricted	\$ -	\$ 363,968	\$ 743,787	\$ 1,107,755
Assigned	83,961	-	-	83,961
Unassigned	1,475,038	-	-	1,475,038
Total fund balances	<u>\$ 1,558,999</u>	<u>\$ 363,968</u>	<u>\$ 743,787</u>	<u>\$ 2,666,754</u>

See accompanying notes to the basic financial statements and accountant's compilation report.

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, 2019

	General Fund	SCMR Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and other taxes	\$ 659,728	\$ -	\$ 330,862	\$ 990,590
Payments in lieu of taxes	-	-	538,954	538,954
Municipal income tax	4,920,782	-	-	4,920,782
Intergovernmental	193,077	279,009	24,738	496,824
Special assessments	-	-	62,573	62,573
Charges for services	248,117	-	5,100	253,217
Fines, licenses and permits	630,775	-	7,574	638,349
Donations	-	-	86,000	86,000
Interest	13,533	-	-	13,533
Miscellaneous	112,159	-	-	112,159
Total receipts	6,778,171	279,009	1,055,801	8,112,981
Disbursements				
Current				
Security of persons and property	4,237,133	-	369,330	4,606,463
Leisure time activities	44,087	-	-	44,087
Community environment	-	-	7,592	7,592
Basic utility services	25,894	-	-	25,894
Transportation	-	186,742	16,507	203,249
General government	1,264,839	-	343,837	1,608,676
Capital outlay	310,278	35,766	282,844	628,888
Debt service				
Principal	-	2,394	420,823	423,217
Interest and fiscal charges	-	-	57,926	57,926
Total disbursements	5,882,231	224,902	1,498,859	7,605,992
Excess of receipts over (under) disbursements	895,940	54,107	(443,058)	506,989
Other financing sources				
Transfers in	-	23,000	766,126	789,126
Transfers out	(591,602)	-	(197,524)	(789,126)
Total other financing sources	(591,602)	23,000	568,602	-
Net change in fund balances	304,338	77,107	125,544	506,989
Fund balances at beginning of year, restated	1,254,661	286,861	618,243	2,159,765
Fund balances at end of year	\$ 1,558,999	\$ 363,968	\$ 743,787	\$ 2,666,754

See accompanying notes to the basic financial statements and accountant's compilation report.

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, 2019

GENERAL FUND

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and other taxes	\$ 739,075	\$ 739,075	\$ 659,728	\$ (79,347)
Municipal income tax	4,325,000	4,825,000	4,920,782	95,782
Intergovernmental	80,871	80,871	187,106	106,235
Charges for services	203,622	203,622	248,117	44,495
Fines, licenses and permits	403,715	413,357	381,721	(31,636)
Interest	-	-	13,533	13,533
Miscellaneous	77,561	77,561	95,559	17,998
Total receipts	<u>5,829,844</u>	<u>6,339,486</u>	<u>6,506,546</u>	<u>167,060</u>
Disbursements				
Personnel costs	2,943,967	3,079,217	3,017,681	61,536
Other	2,772,478	2,923,014	2,647,845	275,169
Total disbursements	<u>5,716,445</u>	<u>6,002,231</u>	<u>5,665,526</u>	<u>336,705</u>
Excess of receipts over (under) disbursements	<u>113,399</u>	<u>337,255</u>	<u>841,020</u>	<u>503,765</u>
Other financing sources (uses)				
Transfers out	<u>(221,033)</u>	<u>(477,000)</u>	<u>(654,102)</u>	<u>(177,102)</u>
Total other financing sources (uses)	<u>(221,033)</u>	<u>(477,000)</u>	<u>(654,102)</u>	<u>(177,102)</u>
Net change in fund balances	(107,634)	(139,745)	186,918	326,663
Prior year encumbrances appropriated	-	-	-	-
Fund balances at beginning of year	<u>1,172,286</u>	<u>1,172,286</u>	<u>1,172,286</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,064,652</u>	<u>\$ 1,032,541</u>	<u>\$ 1,359,204</u>	<u>\$ 326,663</u>

See accompanying notes to the basic financial statements and accountant's compilation report.

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, 2019

SCMR FUND

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 228,442	\$ 228,442	\$ 279,009	\$ 50,567
Total receipts	<u>228,442</u>	<u>228,442</u>	<u>279,009</u>	<u>50,567</u>
Disbursements				
Personnel costs	120,000	120,000	103,326	16,674
Other	207,347	210,715	133,541	77,174
Total disbursements	<u>327,347</u>	<u>330,715</u>	<u>236,867</u>	<u>93,848</u>
Excess of receipts over (under) disbursements	<u>(98,905)</u>	<u>(102,273)</u>	<u>42,142</u>	<u>144,415</u>
Other financing sources (uses)				
Transfers in	-	-	23,000	23,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>23,000</u>	<u>23,000</u>
Net change in fund balances	(98,905)	(102,273)	65,142	167,415
Prior year encumbrances appropriated	-	-	-	-
Fund balances at beginning of year	<u>286,861</u>	<u>286,861</u>	<u>286,861</u>	<u>-</u>
Fund balances at end of year	<u>\$ 187,956</u>	<u>\$ 184,588</u>	<u>\$ 352,003</u>	<u>\$ 167,415</u>

See accompanying notes to the basic financial statements and accountant's compilation report.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Water Fund	Sewer Fund	Storm Water Fund	Total Enterprise Funds
Assets				
Equity in pooled cash	\$ 434,412	\$ 366,834	\$ 348,287	\$ 1,149,533
Total assets	<u>\$ 434,412</u>	<u>\$ 366,834</u>	<u>\$ 348,287</u>	<u>\$ 1,149,533</u>
Net position				
Unrestricted	\$ 434,412	\$ 366,834	\$ 348,287	\$ 1,149,533
Total net position	<u>\$ 434,412</u>	<u>\$ 366,834</u>	<u>\$ 348,287</u>	<u>\$ 1,149,533</u>

See accompanying notes to the basic financial statements and accountant's compilation report.

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, 2019

	Water Fund	Sewer Fund	Storm Water Fund	Total Enterprise Funds
Receipts				
Charges for services	\$ 734,734	\$ 683,775	\$ 272,994	\$ 1,691,503
Miscellaneous	1,227	-	-	1,227
Total receipts	<u>735,961</u>	<u>683,775</u>	<u>272,994</u>	<u>1,692,730</u>
Operating disbursements				
Personal services	273,347	151,820	193,448	618,615
Contractual services	271,196	481,397	3,328	755,921
Materials and supplies	72,379	12,862	69,831	155,072
Total operating disbursements	<u>616,922</u>	<u>646,079</u>	<u>266,607</u>	<u>1,529,608</u>
Operating income	<u>119,039</u>	<u>37,696</u>	<u>6,387</u>	<u>163,122</u>
Non-operating receipts (disbursements)				
Loans issued	284,094	-	-	284,094
Capital outlay	(321,289)	(21,804)	(24,364)	(367,457)
Principal paid	(24,013)	-	-	(24,013)
Interest and fiscal charges	(4,077)	-	-	(4,077)
Total non-operating disbursements	<u>(65,285)</u>	<u>(21,804)</u>	<u>(24,364)</u>	<u>(111,453)</u>
Income before contributions	<u>53,754</u>	<u>15,892</u>	<u>(17,977)</u>	<u>51,669</u>
Capital contributions - tap fees	<u>39,894</u>	<u>140,008</u>	<u>-</u>	<u>179,902</u>
Change in net position	93,648	155,900	(17,977)	231,571
Net position at beginning of year	<u>340,764</u>	<u>210,934</u>	<u>366,264</u>	<u>917,962</u>
Net position at end of year	<u>\$ 434,412</u>	<u>\$ 366,834</u>	<u>\$ 348,287</u>	<u>\$ 1,149,533</u>

See accompanying notes to the basic financial statements and accountant's compilation report.

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VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

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.

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

B. FUND ACCOUNTING

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

Governmental Funds

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

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

Street Construction, Maintenance and Repair Fund (SCMR) - Accounts for the portion of State gasoline tax and motor vehicle registration fees designated for maintenance and repair of roadways within the Village.

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS

All 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".

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.

During 2019, the Village invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$ 25 million or more. STAR Ohio reserves the right to limit the transaction to \$ 100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$ 100 million limit. All accounts of the participant will be combined for these purposes.

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 2019 was \$ 13,533 which includes \$ 8,062 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, 2019

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 \$ 905,105, 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, 2019

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 AND RESTATEMENT OF NET POSITION AND FUND BALANCE

A. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2019, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 83, – “Certain Asset Retirement Obligations”, GASB Statement 84, “Fiduciary Activities”, and GASB Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.”

GASB Statement No. 83, – “Certain Asset Retirement Obligations”- This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. These changes were incorporated in the Village’s fiscal year 2019 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, 2019

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION AND FUND BALANCE (continued)

A. CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Village will no longer be reporting agency funds. The Village reviewed its agency funds and one fund will be reported in the new fiduciary fund classification of custodial funds while the other fund has been reclassified as a governmental fund. These fund reclassifications resulted in the restatement of the Village's financial statements as shown in the tables that follow.

GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." - The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. These changes were incorporated in the Village's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

B. RESTATEMENT OF NET POSITION AND FUND BALANCE

The implementation of GASB Statement No. 84 had the following effect on net position and fund balance as of June 30, 2018:

	Governmental Activities	Business-type Activities	Total
Net position December 31, 2018	\$ 2,133,312	\$ 917,962	\$ 3,051,274
Adjustment - GASB 84	26,453	-	26,453
Restated net position December 31, 2018	<u>\$ 2,159,765</u>	<u>\$ 917,962</u>	<u>\$ 3,077,727</u>

	General Fund	SCMR Fund	Capital Projects Fund	Other Governmental Funds	Total
Fund balance December 31, 2018	\$ 1,228,208	\$ 286,861	\$ 300,973	\$ 317,270	\$ 2,133,312
Adjustment - GASB 84	26,453	-	-	-	26,453
Fund balance position December 31, 2018	<u>\$ 1,254,661</u>	<u>\$ 286,861</u>	<u>\$ 300,973</u>	<u>\$ 317,270</u>	<u>\$ 2,159,765</u>

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 and the SCMR fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund and SCMR Fund.

	General Fund	SCMR Fund
Budget basis	\$ 186,918	\$ 65,142
Adjustments, increase (decrease)		
Encumbrances	115,834	11,965
Funds budgeted elsewhere **	1,586	-
Cash basis, as reported	<u>\$ 304,338</u>	<u>\$ 77,107</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, Solid Waste Fund and Mayor's Court Fund.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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>SCMR Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances				
Restricted for:				
Security of persons and property	\$ -	\$ -	\$ 126,075	\$ 126,075
Highways and streets	-	363,968	40,340	404,308
Capital projects	-	-	256,062	256,062
Debt service	-	-	112,953	112,953
Other	-	-	208,357	208,357
	<u>-</u>	<u>363,968</u>	<u>743,787</u>	<u>1,107,755</u>
Assigned				
Recreation	56,408	-	-	56,408
Solid waste management	8,700	-	-	8,700
Security of persons and property	18,853	-	-	18,853
	<u>83,961</u>	<u>-</u>	<u>-</u>	<u>83,961</u>
Unassigned	1,475,038	-	-	1,475,038
Total fund balances	<u>\$ 1,558,999</u>	<u>\$ 363,968</u>	<u>\$ 743,787</u>	<u>\$ 2,666,754</u>

NOTE 6 – DEPOSITS AND INVESTMENTS

A. LEGAL REQUIRMENTS

State statutes classify monies held by the Village 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, 2019

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) 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.

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. Except as noted above, 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, 2019

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS

At year end, \$ 1,074,923 of the Village's bank balance of \$ 1,824,923 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The Village's financial institutions were approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System.

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 the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State

C. INVESTMENTS

As of December 31, 2019, the Village had \$ 2,012,444 invested in STAR Ohio, which had a maturity of 55.7 days

D. INTEREST RATE RISK

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

E. CREDIT RISK

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

F. CONCENTRATION OF CREDIT RISK

The Village places no limit on the amount that may be invested in any one issuer.

G. CUSTODIAL RISK

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualifying trustee.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2019, was \$ 5.35 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

	2019 Collection Year
Property valuation consisted of:	
Real property	\$ 177,094,740
Public utility property	6,815,100
Total valuation	<u>\$ 183,909,840</u>

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 (Fiscal Officer'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.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - RISK MANAGEMENT (continued)

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, 2019, 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 surplus at March 31, 2019 and 2018:

	2019	2018
Assets	\$ 1,582,183	\$ 1,341,128
Liabilities	(1,087,219)	(884,941)
Accumulated surplus	<u>\$ 494,964</u>	<u>\$ 456,187</u>

NOTE 10 - DEBT

The changes in the Village's long-term debt during 2019 were as follows:

	Restated * Outstanding 12/31/2018	Additions	Payments	Outstanding 12/31/2019	Due in One Year
Governmental activities					
General obligation bonds					
Various purposed (2014)					
Varying % through 2031	\$ 2,240,000	\$ -	\$ 320,000	\$ 1,920,000	\$ 325,000
Total general obligation bonds	<u>2,240,000</u>	<u>-</u>	<u>320,000</u>	<u>1,920,000</u>	<u>325,000</u>
Special assessment bonds					
with governmental commitment					
Various purpose (1999)					
Varying % through 2019	55,000	-	55,000	-	-
Total special assessment bonds	<u>55,000</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>-</u>
Ohio Public Works Commission (OPWC)					
Road resurfacing (2007)					
0% through 2026	995	-	132	863	133
Road improvements (2014)					
0% through 2030	174,055	-	15,823	158,232	15,823
Road improvements (2019)					
0% through 2039	90,480	-	2,262	88,218	4,524
	<u>265,530</u>	<u>-</u>	<u>18,217</u>	<u>247,313</u>	<u>20,480</u>
County engineer loan payable	<u>60,000</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Total governmental activities	<u>\$ 2,620,530</u>	<u>\$ -</u>	<u>\$ 423,217</u>	<u>\$ 2,197,313</u>	<u>\$ 375,480</u>

* The beginning balance has been restated to include an OPWC loan that had previously been accounted for as grant proceeds. There was no restatement to fund balances.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 – DEBT (continued)

	Outstanding 12/31/2018	Additions	Payments	Outstanding 12/31/2019	Due in One Year
<u>Business-type activities</u>					
Ohio Public Works Commission (OPWC)					
Water Main Replacement, Phase I (1999) 0% through 2019	\$ 1,153	\$ -	\$ 1,153	\$ -	\$ -
Water Main Replacement, Phase II (1999) 0% through 2019	1,875	-	1,875	-	-
Water Main Replacement (2002) 0% through 2022	13,452	-	4,484	8,968	4,484
Water Line Replacement (2010) 0% through 2030	32,779	-	4,682	28,097	4,682
Water Line Replacement (2006) 0% through 2026	55,050	-	4,787	50,263	4,787
Water Line Replacement (2010) 0% through 2040	37,076	-	1,725	35,351	1,725
Total OPWC loans	<u>141,385</u>	<u>-</u>	<u>18,706</u>	<u>122,679</u>	<u>15,678</u>
Ohio Water Development Auathority (OWDA)					
Water Line Repair (2019) 2.87% through 2039	-	284,094	5,307	278,787	10,844
Total OWDA loans	<u>-</u>	<u>284,094</u>	<u>5,307</u>	<u>278,787</u>	<u>10,844</u>
Total business-type activities	<u>\$ 141,385</u>	<u>\$ 284,094</u>	<u>\$ 24,013</u>	<u>\$ 401,466</u>	<u>\$ 26,522</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.

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.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 – DEBT (continued)

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

Year	Governmental Activities					
	General Obligation Bonds		OPWC loans	County Engineer	Total	
	Principal	Interest	Principal	Principal	Principal	Interest
2020	\$ 325,000	\$ 48,225	\$ 20,480	\$ 30,000	\$ 375,480	\$ 48,225
2021	325,000	41,725	20,480	-	345,480	41,725
2022	330,000	34,412	20,480	-	350,480	34,412
2023	205,000	26,988	20,480	-	225,480	26,988
2024	210,000	21,862	20,480	-	230,480	21,862
2025 - 2029	415,000	45,488	101,935	-	516,935	45,488
2030 - 2034	110,000	5,363	22,620	-	132,620	5,363
2035 - 2039	-	-	20,358	-	20,358	-
	<u>\$ 1,920,000</u>	<u>\$ 224,063</u>	<u>\$ 247,313</u>	<u>\$ 30,000</u>	<u>\$ 2,197,313</u>	<u>\$ 224,063</u>

Year	Business-type Activities				
	OPWC loans	OWDA loans		Total	
	Principal	Principal	Interest	Principal	Interest
2020	\$ 15,678	\$ 10,844	\$ 7,924	\$ 26,522	\$ 7,924
2021	15,679	11,158	7,610	26,837	7,610
2022	11,195	11,480	7,288	22,675	7,288
2023	11,195	11,812	6,956	23,007	6,956
2024	11,195	12,154	6,615	23,349	6,615
2025 - 2029	37,242	66,245	27,596	103,487	27,596
2030 - 2034	11,013	76,391	17,453	87,404	17,453
2035 - 2039	8,620	78,703	5,755	87,323	5,755
2040 - 2044	862	-	-	862	-
	<u>\$ 122,679</u>	<u>\$ 278,787</u>	<u>\$ 87,197</u>	<u>\$ 401,466</u>	<u>\$ 87,197</u>

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, 2019, \$ 1,400,000 of bonds outstanding are considered defeased

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 \$ 62,154 and \$ 135,370, respectively, for debt service.

	Tranferred From:		Total
	General Fund	Non-major Governmental Funds	
Transfer to:			
SCMR Fund	\$ 23,000	\$ -	\$ 23,000
Non-major governmental funds	568,602	197,524	766,126
	<u>\$ 591,602</u>	<u>\$ 197,524</u>	<u>\$ 789,126</u>

NOTE 13 - LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$ 298,907, to pay lease costs for the year ended December 31, 2019. Future lease payments are as follows:

Year End	Total
2020	\$ 298,908
2021	298,908
2022	298,908
2023	36,221
	<u>\$ 932,945</u>

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 and combined plans. 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.

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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

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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee ***	10.0%	*	**
2018 Actual Contribution Rates			
Employer:			
Pension	14.0%	18.1%	18.1%
Post-employment Health Care Benefits ****	0.0%	0.0%	0.0%
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.

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 212,150 for 2019.

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.

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LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 after 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 (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2018 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	<u>19.50%</u>	<u>24.00%</u>
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 \$ 430,304 for 2019.

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

C. SOCIAL SECURITY

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 1, 2019.

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 maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 75. 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.

VILLAGE OF SHEFFIELD, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 – POSTEMPLOYMENT BENEFITS (continued)

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

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 2018, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2019, OPERS did not allocate any employer contributions to post-employment health care.

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 a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium 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. 75.

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, 2019

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, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2019, 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.

Beginning January 1, 2019, OPF changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OPF will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Village's contractually required contribution to OPF was \$ 9,992 for 2019.

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 shifted four employment positions from their Berea, Ohio location six additional employees upon the closing of the Berea location. The annual payroll of the new employees was \$ 630,000 estimated to grow to \$ 855,000 by 2019. In 2019 their payroll exceeded \$2,000,000

VILLAGE OF SHEFFIELD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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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