



Dave Yost • Auditor of State

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sheffield Township
Lorain County
5166 Clinton Avenue
Lorain, Ohio 44055-3444

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Sheffield Township, Lorain County, (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than

accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Sheffield Township, Lorain County, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 13, 2017

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$126,969	\$353,372	\$0	\$480,341
Charges for Services	61,697	56,871	0	118,568
Licenses, Permits and Fees	96,214	0	0	96,214
Intergovernmental	86,770	147,426	83,616	317,812
Earnings on Investments	2,870	232	0	3,102
Miscellaneous	10,178	0	0	10,178
<i>Total Cash Receipts</i>	<i>384,698</i>	<i>557,901</i>	<i>83,616</i>	<i>1,026,215</i>
Cash Disbursements				
Current:				
General Government	191,308	9,548	0	200,856
Public Safety	0	262,725	0	262,725
Public Works	85,928	145,898	0	231,826
Health	767	0	0	767
Capital Outlay	31,382	51,817	83,616	166,815
Debt Service:			0	
Principal Retirement	50,000	2,911	0	52,911
<i>Total Cash Disbursements</i>	<i>359,385</i>	<i>472,899</i>	<i>83,616</i>	<i>915,900</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>25,313</i>	<i>85,002</i>	<i>0</i>	<i>110,315</i>
<i>Net Change in Fund Cash Balances</i>	<i>25,313</i>	<i>85,002</i>	<i>0</i>	<i>110,315</i>
<i>Fund Cash Balances, January 1</i>	<i>1,256,220</i>	<i>1,373,839</i>	<i>2,887</i>	<i>2,632,946</i>
Fund Cash Balances, December 31				
Restricted	0	1,270,268	0	1,270,268
Committed	50,000	188,573	0	238,573
Assigned	125,507	0	2,887	128,394
Unassigned (Deficit)	1,106,026	0	0	1,106,026
<i>Fund Cash Balances, December 31</i>	<i>\$1,281,533</i>	<i>\$1,458,841</i>	<i>\$2,887</i>	<i>\$2,743,261</i>

See accompanying notes to the basic financial statement

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sheffield Township, Lorain County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township appropriates general fund money to support a volunteer fire department and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township 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 Township are presented below:

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 Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Road and Bridge This fund receives property tax money for constructing, maintaining, and repairing Township roads.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Issue II Fund The Township reported loan money from OPWC for capital improvements. The proceeds are restricted for capital improvement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured 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.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Restricted Fund balance is *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.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

The Township 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$328,495	\$384,698	\$56,203
Special Revenue	586,361	557,901	(28,460)
Capital Projects	83,616	83,616	0
Total	\$998,472	\$1,026,215	\$27,743

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$470,000	\$359,385	\$110,615
Special Revenue	920,655	472,899	447,756
Capital Projects	83,616	83,616	0
Total	\$1,474,271	\$915,900	\$558,371

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2016</u>
Demand deposits	<u>\$337,277</u>
Total Deposits	<u>337,277</u>
Repurchase agreement (Sweep)	<u>1,848,537</u>
STAR Ohio	<u>557,447</u>
Total Investments	<u>2,405,984</u>
Total deposits and investments	<u><u>\$2,743,261</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township

Investments

The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$15,000

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

2016 Contributions to OTARMA

\$33,722

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Elected officials and other eligible employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>

Social Security

Several Township volunteer firemen/EMS 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 Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan	\$571,816	4%
OPWC Loan	33,170	0%
Total	<u>\$604,986</u>	

The Township obtained a \$650,000 4% interest loan with USDA for the construction of a new fire station in 2010. Loan matures in 2040.

OPWC Loan (CI14L) proceeds totaling \$15,000 were received in 2008 for the Dunton Road Improvement project. This is an eight year loan at 0% interest with semi-annual payments of \$1,875.

OPWC Loan (CI39Q) proceeds totaling \$23,687 were received in 2014 for the Toledo Road Resurfacing – Phase I project. This is a twelve year loan at 0% interest with semi-annual payments of \$1,974.

OPWC Loan (CI40T) proceeds totaling \$12,542.48 were received in 2016 for the Toledo Road Resurfacing – Phase II project. This is a twelve year loan at 0% interest with semi-annual payments of \$1,254.

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Amortization

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

Year ending December 31:	USDA Loan		OPWC Loans	
	Principal	Interest	Principal	Interest
2017	\$14,600	\$22,873	\$4,476	\$0
2018	15,300	22,289	3,228	0
2019	15,800	21,677	3,228	0
2020	16,500	21,045	3,228	0
2021	17,200	20,385	3,228	0
2022-2026	96,600	91,055	15,154	0
2027-2031	117,600	70,123	628	0
2032-2036	127,000	45,483	0	0
2037-2041	127,000	20,083	0	0
2042-2046	24,216	1,009	0	0
Total	<u>\$571,816</u>	<u>\$336,022</u>	<u>\$33,170</u>	<u>\$0</u>

Note 9 – Fund Balances

Fund balance is classified as non-spendable, 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 Villages funds. The constraints placed on fund balance for the Villages funds are presented below:

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Restricted for:				
Emergency Medical Services	\$ -	\$ 473,915	\$ -	\$ 473,915
Fire Equipment and Operations	-	243,012	-	243,012
Garbage and Waste Disposal	-	15,062	-	15,062
Road and Bridge Maintenance and Improvements	-	221,284	-	221,284
Street Lighting	-	302,027	-	302,027
Special Assessment	-	14,968	-	14,968
Committed to:				
Debt service for Annual Payment of Fire Station	50,000		-	50,000
Road and Bridge Maintenance and Improvements	-	185,972	-	185,972
OPWC debt service	-	2,601	-	2,601
Assigned to:				
Property improvements	-	-	2,887	2,887
Subsequent Year Appropriations	125,507	-	-	125,507
Unassigned	1,106,026		-	1,106,026
Total Fund Balances:	<u>\$ 1,281,533</u>	<u>\$ 1,458,841</u>	<u>\$ 2,887</u>	<u>\$ 2,743,261</u>

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**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$125,374	\$350,808	\$0	\$476,182
Charges for Services	61,697	102,894	0	164,591
Licenses, Permits and Fees	94,320	0	0	94,320
Intergovernmental	98,027	199,417	0	297,444
Earnings on Investments	1,705	153	0	1,858
Miscellaneous	13,132	613	0	13,745
<i>Total Cash Receipts</i>	<u>394,255</u>	<u>653,885</u>	<u>0</u>	<u>1,048,140</u>
Cash Disbursements				
Current:				
General Government	196,046	12,858	0	208,904
Public Safety	0	373,197	0	373,197
Public Works	94,472	131,167	0	225,639
Human Services	0	2,731	0	2,731
Capital Outlay	14,703	408,034	0	422,737
Debt Service:			0	
Principal Retirement	38,268	3,849	0	42,117
<i>Total Cash Disbursements</i>	<u>343,489</u>	<u>931,836</u>	<u>0</u>	<u>1,275,325</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,766</u>	<u>(277,951)</u>	<u>0</u>	<u>(227,185)</u>
<i>Net Change in Fund Cash Balances</i>	<u>50,766</u>	<u>(277,951)</u>	<u>0</u>	<u>(227,185)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,205,454</u>	<u>1,651,790</u>	<u>2,887</u>	<u>2,860,131</u>
Fund Cash Balances, December 31				
Restricted	0	1,151,221	0	1,151,221
Committed	38,316	222,618	0	260,934
Assigned	141,505	0	2,887	144,392
Unassigned (Deficit)	1,076,399	0	0	1,076,399
<i>Fund Cash Balances, December 31</i>	<u>\$1,256,220</u>	<u>\$1,373,839</u>	<u>\$2,887</u>	<u>\$2,632,946</u>

See accompanying notes to the basic financial statement

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sheffield Township, Lorain County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township appropriates general fund money to support a volunteer fire department and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township 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 Township are presented below:

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 Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Ambulance .5 Mill Levy This fund provides revenue for ambulance services performed by of the Township.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Permanent Improvement This fund was used for a construction of the new fire station and has an unexpended balance at December 31, 2016 of \$2,887 with no activity since 2011.

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured 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.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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.

Committed: Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

The Township 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$311,144	\$394,255	\$83,111
Special Revenue	751,463	653,885	(97,578)
Total	\$1,062,606	\$1,048,140	(\$14,466)

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$500,000	\$343,489	\$156,511
Special Revenue	1,188,500	931,836	256,664
Total	\$1,688,500	\$1,275,325	\$413,175

Note 4 – Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2015
Demand deposits	\$362,486
Total Deposits	362,486
Repurchase Agreement (Sweep)	1,714,918
STAR Ohio	555,542
Total Investments	2,270,460
Total deposits and investments	\$2,632,946

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Township.

Investments

The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Note 6 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015.

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$15,000

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2015 Contributions to OTARMA</u>
\$32,793

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Elected officials and other eligible employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>

Social Security

Several Township volunteer firemen/EMS 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 Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 8 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
USDA Loan	\$597,900	4%
OPWC Loans	23,539	0%
Total	\$621,439	

The Township obtained a \$650,000 4% interest loan with USDA for the construction of a new fire station in 2010. Loan matures in 2040.

OPWC Loan (C114L) proceeds totaling \$15,000 were received in 2008 for the Dunton Road Improvement project. This is an eight year loan at 0% interest with semi-annual payments of \$1,875.

OPWC Loan (C139Q) proceeds totaling \$23,687 were received in 2014 for the Toledo Road Resurfacing – Phase I project. This is a twelve year loan at 0% interest with semi-annual payments of \$1,974.

Amortization

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

	USDA Loan		OPWC Loans	
	Principal	Interest	Principal	Interest
Year ending December 31:				
2019	\$14,400	\$23,916	\$3,849	\$0
2018	15,300	23,340	2,911	0
2019	15,300	22,728	1,974	0
2020	15,800	22,116	1,974	0
2021	16,500	21,484	1,974	0
2022-2026	93,000	96,972	9,870	0
2027-2031	113,000	76,840	987	0
2032-2036	127,000	52,760	0	0
2037-2041	127,000	27,360	0	0
2042-2046	60,600	3,891	0	0
Total	\$597,900	\$371,407	\$23,539	\$0

Sheffield Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Fund Balances

Fund balance is classified as non-spendable, 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 Villages funds. The constraints placed on fund balance for the Villages funds are presented below:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Restricted for:				
Emergency Medical Services	\$ -	\$ 393,680	\$ -	\$ 393,680
Fire Equipment and Operations	-	239,791	-	239,791
Garbage and Waste Disposal	-	9,047	-	9,047
Road and Bridge Maintenance and Improvements	-	189,538	-	189,538
Street Lighting	-	304,197	-	304,197
Special Assessment	-	14,968	-	14,968
Committed to:				
Debt service for Annual Payment of Fire Station	38,316		-	38,316
Road and Bridge Maintenance and Improvements	-	218,769	-	218,769
OPWC debt service	-	3,849	-	3,849
Assigned to:				
Property improvements	-	-	2,887	2,887
Subsequent Year Appropriations	141,505	-	-	141,505
Unassigned	1,076,399		-	1,076,399
Total Fund Balances:	<u>\$1,256,220</u>	<u>\$1,373,839</u>	<u>\$ 2,887</u>	<u>\$2,632,946</u>

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Dave Yost • Auditor of State

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

Sheffield Township
Lorain County
5166 Clinton Avenue
Lorain, Ohio 44055-3444

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Sheffield Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated December 13, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

Township's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 13, 2017

**SHEFFIELD TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness – Recording on-behalf-of Payments

Auditor of State Bulletin 2000-008 states when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded.

Auditor of State Bulletin 2002-004 states all local governments participating in Issue 2 Funds (single or multi-project grant) must, for each project awarded, establish a capital projects fund to account for both the Issue 2 monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund(s) because the authority exists under Section 5705.09 of the Ohio Revised Code. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received benefit from the project.

In 2016, Ohio Public Works Commission expended two payments totaling \$83,616 directly to contractors on-behalf-of the Township. The Fiscal Officer recorded a \$71,074 payment into an incorrect fund (Road and Bridge Special Revenue Fund) and did not record the other \$12,542 payment in the Township's financial statements. Failure to record the "on-behalf-of" loans resulted in inaccurate financial statements in 2016.

The Fiscal Officer was not aware these payments were required to be recorded in a Capital Projects Fund and due to an oversight failed to record the \$12,542 payment. Management adjusted the financial statements and budgetary activity schedule to reflect these amounts in the Capital Projects Fund.

We recommend the Township record on-behalf-of grants and loans as a memo receipt and expenditure in the Township's accounting system in an appropriate fund. In addition, Township management should review Auditor of State Bulletins 2000-008 and 2002-004.

Official's Response: I was aware when the funds are received from OPWC a memo entry must be made with the end result of zero. I made the error of receipting the funds in the Road and Bridge fund since that is the fund I repay the loan from. On the OPWC application there is a question asking what fund will be used when repaying the loan. I always state Road and Bridge Fund. I now fully understand these payments must be recorded in a Capital Projects Funds. I was also unaware I needed to receipt the loan from OPWC. I have since corrected my UAN system and added the proper receipt category for this type of loan. I appreciate being given the chance to explain myself and assure you it will be done properly going forward.

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Dave Yost • Auditor of State

SHEFFIELD TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2017**