



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF SHEFFIELD LAKE  
LORAIN COUNTY  
DECEMBER 31, 2019**

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LORAIN COUNTY  
DECEMBER 31, 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

City of Sheffield Lake  
Lorain County  
609 Harris Road  
Sheffield Lake, Ohio 44054

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Roads Income Tax funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matter**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2020, on our consideration of the City'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 City's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

August 4, 2020

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
UNAUDITED

The management's discussion and analysis of the City of Sheffield Lake's (the City) financial performance presents a narrative overview and analysis of the City's financial activities for the year ended December 31, 2019. The intent of the discussion and analysis is to present the City's financial performance as a whole. Readers are encouraged to consider this information in conjunction with the basic financial statements and notes to financial statements for an enhanced understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2019 were as follows.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 19,060,249 (net position).

Total net position increased by \$ 4,531,162. Net position of governmental activities increased \$ 4,776,623 from 2018. Net position of business-type activities decreased \$ 245,461 from 2018.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 4,161,068, a decrease of \$ 46,853 in comparison with the prior year. Approximately 19.3 percent of this amount, \$ 801,250 is available for spending at the City's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 1,174,676 or 19.5 percent of total General Fund expenditures.

The City's total long-term debt obligations increased by \$ 1,322,593 (49.4 percent) during the current year.

Overview of Financial Statements

This annual report includes the City's basic financial statements, which consist of government-wide financial statements and fund financial statements, and notes to the basic financial statements. The government-wide financial statements provide information about the City as a whole, providing an aggregate view of the City's finances. The fund financial statements provide an additional level of detail.

**Government-wide Financial Statements**

The government-wide financial statements provide a broad overview of the City's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual difference being reported as net position. Increases or decreases in net position over time serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The *Statement of Activities* presents information reflecting the City's financial activities and changes in net position during the year. These two statements use the accrual basis of accounting, under which revenue is generally recognized when earned and expenses recognized when incurred, regardless of when cash is received or paid. These statements distinguish between governmental activities, which are those that are principally supported by taxes and intergovernmental revenues, and business-type activities, which are those that are intended to recover their costs through user fees and charges. The City's business-type activities consist of water system operations, sanitary sewer system operations and storm water system operations.

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
UNAUDITED

***Fund Financial Statements***

Governmental fund financial statements focus on the City's most significant, or major funds. The City's major governmental funds are the General Fund, Roads Income Tax Fund, Shoreway Capital Project Fund and Capital Improvements Fund. The remaining non-major funds are combined and reflected in one single column. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at year end. This information can be useful in determining what financial resources are available to finance the City's activities. A reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities for the year ended December 31, 2019 is presented. The City, similar to other local governments, uses fund accounting to ensure and demonstrate finance related legal requirements.

***Fund Categories***

The City's funds can be divided into three categories consisting of *governmental* funds, *proprietary* funds and *fiduciary* funds.

**Governmental funds**

Most of the City's activities are reported in governmental funds, which are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual method of accounting, which measures cash and other financial assets readily convertible to cash.

**Proprietary funds**

Proprietary funds are generally used to account for activities for which the City will charge customers and users. Proprietary funds of the City consist of enterprise funds which are used to account for those functions reported as business-type activities in the government-wide financial statements. The City's enterprise funds account for water system operations, sanitary sewer system operations and storm water system operations. Proprietary funds use the accrual basis of accounting.

**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City and are not included in the government-wide financial statements since the resources held are not available to support City programs. These funds use the accrual basis of accounting.

***Notes to the Basic Financial Statements***

Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. These should be read in connection with those financial statements.



CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
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**The City of Sheffield Lake as a Whole**

**Analysis of Net Position**

The *Statement of Net Position* presents the City as a whole. Following is a summary of the City's net position for 2019 compared to 2018.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
<b>Assets</b>						
Current and other assets	\$ 13,162,144	\$ 12,862,623	\$ 1,862,998	\$ 1,711,130	\$ 15,025,142	\$ 14,573,753
Capital assets, net	14,822,465	12,303,587	8,767,547	7,260,326	23,590,012	19,563,913
<b>Total assets</b>	<u>27,984,609</u>	<u>25,166,210</u>	<u>10,630,545</u>	<u>8,971,456</u>	<u>38,615,154</u>	<u>34,137,666</u>
<b>Deferred outflow s of resources</b>						
Pension	2,132,645	1,024,814	391,124	118,342	2,523,769	1,143,156
OPEB	472,687	458,901	55,629	22,434	528,316	481,335
<b>Total deferred outflow s of resources</b>	<u>2,605,332</u>	<u>1,483,715</u>	<u>446,753</u>	<u>140,776</u>	<u>3,052,085</u>	<u>1,624,491</u>
<b>Liabilities</b>						
Current liabilities	4,329,666	3,809,563	372,111	90,080	4,701,777	3,899,643
Long-term liabilities						
Due w ithin one year	225,595	251,557	281,984	231,635	507,579	483,192
Due in more than one year						
Net pension liability	7,434,160	5,398,482	1,248,335	471,499	8,682,495	5,869,981
Net OPEB liability	1,425,267	4,653,268	553,359	304,858	1,978,626	4,958,126
Other amounts	1,813,800	1,461,476	2,924,183	1,951,407	4,737,983	3,412,883
<b>Total liabilities</b>	<u>15,228,488</u>	<u>15,574,346</u>	<u>5,379,972</u>	<u>3,049,479</u>	<u>20,608,460</u>	<u>18,623,825</u>
<b>Deferred inflow s of resources</b>						
Property taxes	1,697,800	1,835,500	-	-	1,697,800	1,835,500
Pension	80,713	523,811	24,822	123,507	105,535	647,318
OPEB	193,466	103,417	1,729	23,010	195,195	126,427
<b>Total deferred inflow s of resources</b>	<u>1,971,979</u>	<u>2,462,728</u>	<u>26,551</u>	<u>146,517</u>	<u>1,998,530</u>	<u>2,609,245</u>
<b>Net position</b>						
Net investment in capital assets	13,087,968	11,014,730	5,650,904	5,138,277	18,738,872	16,153,007
Restricted	3,140,754	2,794,017	-	-	3,140,754	2,794,017
Unrestricted	(2,839,248)	(5,195,896)	19,871	777,959	(2,819,377)	(4,417,937)
<b>Total net position</b>	<u>\$ 13,389,474</u>	<u>\$ 8,612,851</u>	<u>\$ 5,670,775</u>	<u>\$ 5,916,236</u>	<u>\$ 19,060,249</u>	<u>\$ 14,529,087</u>

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The City follows GASB Statement 68, "Accounting and Financial Reporting for Pensions" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to pensions other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

CITY OF SHEFFIELD LAKE, OHIO  
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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Investment in capital assets (land, buildings and improvements, equipment and vehicles and infrastructure) less any related debt to acquire those assets still outstanding represents the largest portion of net position. Capital assets are used to provide services to the City's citizens, however, are not available for future spending.

Total assets increased by \$ 4,477,488 to \$ 38,615,154; current and other assets increased by \$ 451,389 to \$ 15,025,142, while net capital assets increased by \$ 4,026,099.

Current liabilities increased by \$ 802,134 to \$ 4,701,777 primarily due to an increase in accounts payable. Long-term liabilities increased by \$ 1,182,501 to \$ 15,906,683.

Total net position increased by \$ 4,531,162 to \$ 19,060,249 with governmental net position comprising \$ 13,389,474 and business-type net position comprising \$ 5,670,775 of that amount.

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Analysis of Changes in Net Position**

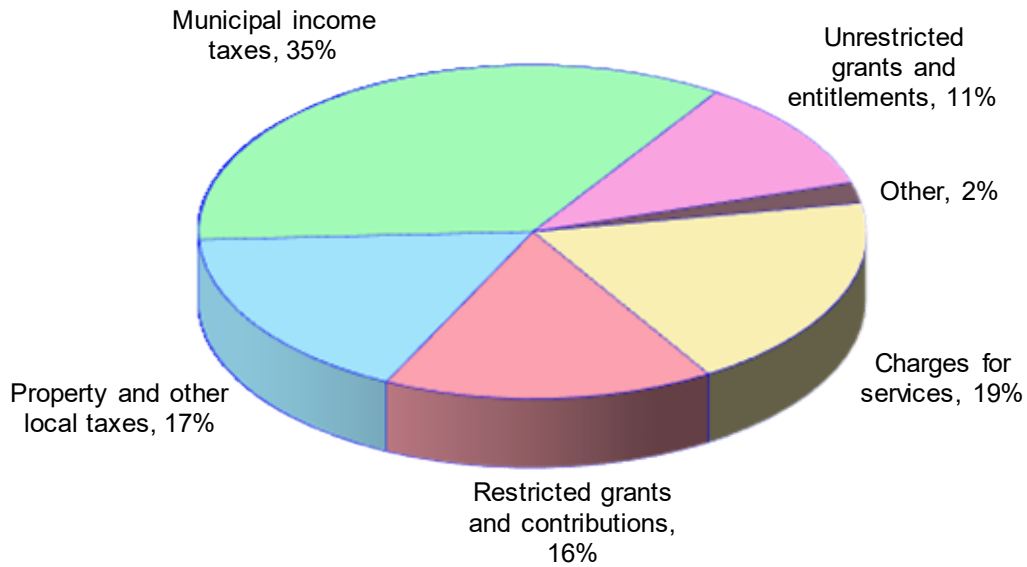
To understand what makes up changes in net position, following are results of activities for the current year compared to the prior year.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues						
Charges for services and sales	\$ 1,933,725	\$ 1,814,703	\$ 2,811,276	\$ 2,304,553	\$ 4,745,001	\$ 4,119,256
Operating grants, interest and contributions	51,282	12,941	-	-	51,282	12,941
Capital grants and contributions	1,511,763	126,046	106,926	13,868	1,618,689	139,914
Total program revenues	<u>3,496,770</u>	<u>1,953,690</u>	<u>2,918,202</u>	<u>2,318,421</u>	<u>6,414,972</u>	<u>4,272,111</u>
General revenues						
Property and other local taxes	1,718,923	1,283,231	-	-	1,718,923	1,283,231
Municipal income taxes	3,496,962	3,615,291	-	-	3,496,962	3,615,291
Unrestricted grants and entitlements	1,073,257	848,313	-	-	1,073,257	848,313
Other	211,754	117,425	293	6	212,047	117,431
Total general revenues	<u>6,500,896</u>	<u>5,864,260</u>	<u>293</u>	<u>6</u>	<u>6,501,189</u>	<u>5,864,266</u>
Total revenues	<u>9,997,666</u>	<u>7,817,950</u>	<u>2,918,495</u>	<u>2,318,427</u>	<u>12,916,161</u>	<u>10,136,377</u>
<b>Program expenses</b>						
Security of persons and property	947,729	3,873,849	-	-	947,729	3,873,849
Public health and welfare	6,227	70,937	-	-	6,227	70,937
Leisure time activities	755,300	259,524	-	-	755,300	259,524
Community environment	171,248	128,660	-	-	171,248	128,660
Basic utility services	820,301	788,747	-	-	820,301	788,747
Transportation	604,900	1,189,427	-	-	604,900	1,189,427
General government	1,745,474	1,259,553	-	-	1,745,474	1,259,553
Interest	179,706	137,039	-	-	179,706	137,039
Water	-	-	1,283,282	931,074	1,283,282	931,074
Sewer	-	-	1,517,366	1,152,925	1,517,366	1,152,925
Storm water	-	-	353,466	320,715	353,466	320,715
Total program expenses	<u>5,230,885</u>	<u>7,707,736</u>	<u>3,154,114</u>	<u>2,404,714</u>	<u>8,384,999</u>	<u>10,112,450</u>
Change in net position before transfers	4,766,781	110,214	(235,619)	(86,287)	4,531,162	23,927
Transfers	9,842	6,045	(9,842)	(6,045)	-	-
Change in net position	4,776,623	116,259	(245,461)	(92,332)	4,531,162	23,927
Net position, beginning of year, restated	8,612,851	8,496,592	5,916,236	6,008,568	14,529,087	14,505,160
Net position, end of year	<u>\$ 13,389,474</u>	<u>\$ 8,612,851</u>	<u>\$ 5,670,775</u>	<u>\$ 5,916,236</u>	<u>\$ 19,060,249</u>	<u>\$ 14,529,087</u>

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
UNAUDITED

**Governmental activities**

Revenues by source of governmental activities for 2019 were comprised of:

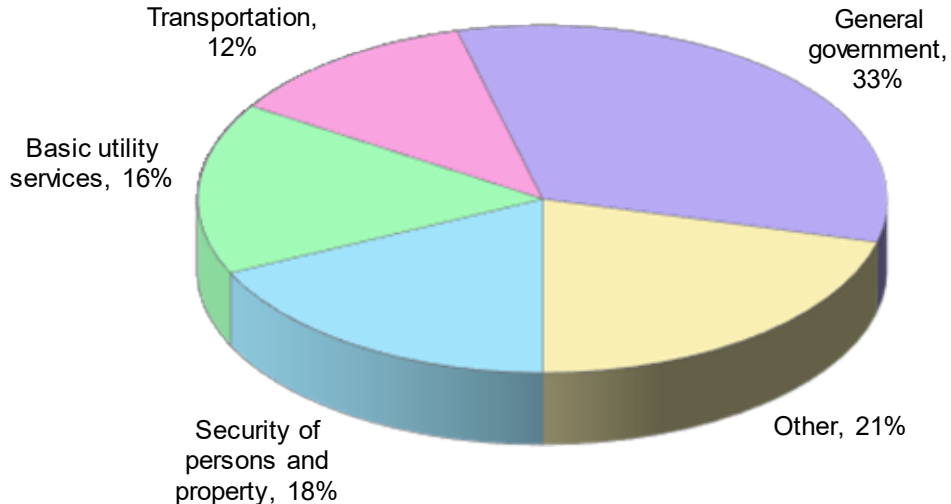


**Revenues**

For 2019, municipal income taxes, representing 35 percent of total revenue, was the largest portion of revenue for governmental activities. Property and other local taxes, charges for services, and restricted grants and entitlements, represented the next three largest sources of revenue at 17 percent, 19 percent, and 16 percent respectively.

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Program expenses of governmental activities for 2019 were comprised of:



**Program expenses**

Program expenses amounted to \$ 5,230,885 in 2019, of which \$ 3,496,770 was supported by program revenue.

Governmental activities expenses decreased \$ 2,476,851 or 32 percent in 2019 mainly due to a change in the Ohio Police & Fire Pension Fund's (OP&F) OPEB plan in 2018, which the City recognizes on a year lag. Prior to 2018, the OP&F OPEB plan was a self-insured retiree medical plan. In 2018, OP&F switched to a fixed monthly stipend provided to its retirees limiting the long-term liabilities of the plan. The City's share of the total OP&F net OPEB liability decreased from \$ 3,880,887 in 2018 to \$ 628,970 in 2019. With that reduction in liability came a reduction in OPEB expense. The OPEB expense reduction was recognized entirely in the governmental activities.

Security of persons and property, which includes police, fire and paramedic services, represented \$ 947,729 or 18 percent of total program expenses. Basic utilities services of \$ 820,301 or 16 percent includes refuse collections. Transportation, which includes street maintenance and snow removal, represented \$ 604,900 or 12 percent of program expenses. General government represented \$ 1,745,474 or 33 percent of program expenses. General government expenses include legislative and administrative services such as council, mayor, finance, law and computer services departments, utilities and maintenance of buildings. Other expenses include public health and welfare, community environment, leisure time activities, including recreation activities and maintenance of the City's park system, and interest amounted to \$ 1,112,481 or 21 percent.

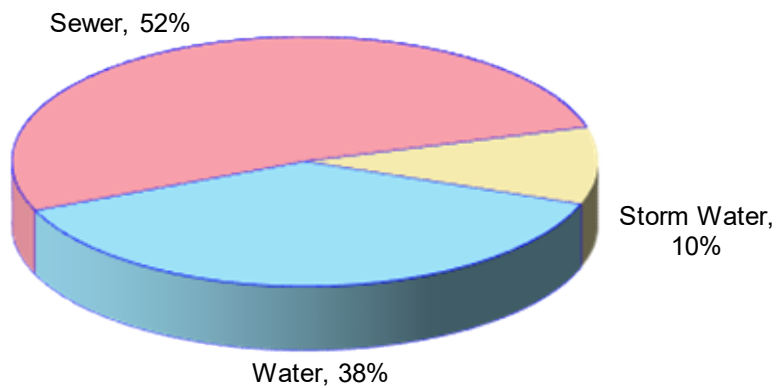
CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Business-type activities**

Revenues

Charges for services represented 96.3 percent of total revenues for business-type activities in 2019. Revenues for business-type activities for 2019 were comprised of:

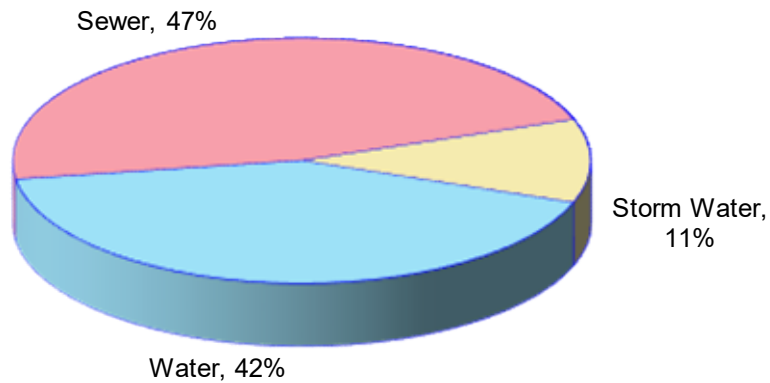
**Revenue, Business-type Activities**



Expenses

Water operations expenses amounted to \$ 1,283,282 or 42 percent. Sanitary sewer operations expenses amounted to \$ 1,517,366 or 47 percent of total program expenses and storm water operation expenses amounted to \$ 353,466 or 11 percent for business-type activities. Water operations, sanitary sewer operations and storm water operations have historically been self-supporting through user fees and charges.

**Expenses, Business-type Activities**



CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
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**The City's Funds**

The City's governmental funds financial information begins at page 18. Total assets of governmental funds increased by \$ 855,901, total liabilities of governmental funds increased by \$ 503,997 and deferred inflows of resources increased by \$ 332,677 resulting in a decrease in governmental total fund balances of \$ 46,853 to \$ 4,161,068 at year-end 2019.

Total governmental funds revenues increased by \$ 2,372,381 in 2019, while total expenditures increased by \$ 2,909,570. Total other financing sources (uses) increased by \$ 436,907 to \$ 442,952. The City's major governmental funds in 2019 consisted of the General Fund, Roads Income Tax Fund, Shoreway Capital Projects Fund and Capital Projects Fund. General Fund revenues were \$ 408,813 or 7.2 percent higher in 2019 than 2018. General Fund total expenditures increased by \$ 897,290 or 17.5 percent. General Fund net other financing sources (uses) changed to (\$ 264,357) in 2019 from (\$ 182,412) in 2018. Accordingly, the General Fund balance decreased by \$ 225,193 to \$ 3,079,783 at year-end 2019. Roads Income Tax Fund had total revenue and other financing sources of \$ 1,019,853 and total expenditures of \$ 1,109,862, resulting in a decrease in fund balance of \$ 90,009 to (\$ 202,567). Shoreway Capital Projects Fund had total expenditures of \$ 111,312 and other financing sources of \$ 210,892 resulting in an increase in fund balance of \$ 99,580 to \$ 1,330,447 at year-end 2019. The Capital Projects Fund reported intergovernmental revenue of \$ 1,165,884 and capital outlay of \$ 1,336,067 all related to road improvement projects.

The City's proprietary funds information begins at page 24. The Water Fund, Sewer Fund and Storm Water Fund net position decreased by \$ 165,109, \$ 9,478 and \$ 70,874, respectively. The City's proprietary funds have historically been self-sufficient.

**Budgetary Highlights**

The City prepares its budget in accordance with Ohio law on the basis of cash receipts, disbursements and encumbrances. The City's original budget and amendments are enacted by City Council upon recommendation of Council's Finance Committee. Budgetary expenditure modifications at the legal level of control may only be made by ordinance of City Council. The City's final budget differs from the original budget due to various amendments during the year to reflect changes in unanticipated revenue receipts.

The General Fund is the City's most significant budgeted fund. Original budgeted receipts (excluding other sources) for the General Fund were \$ 4,716,847 and final budgeted receipts were \$ 5,233,019. Original appropriations (excluding other uses) were \$ 6,315,956. The City actually expended \$ 5,495,097 which was \$ 1,023,506 less than final appropriations.

Original budgeted receipts (excluding other sources) for the Road Income Tax Fund were \$ 450,000 and final budgeted receipts were \$ 484,481. Original appropriations (excluding other uses) were \$ 577,787. The City actually expended \$ 628,352 which was \$ 99,434 less than final appropriations.

The City historically spends less than appropriated.



CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
UNAUDITED

**Capital Assets**

Capital assets, net of depreciation, at December 31, consisted of:

	Governmental Activities		Business type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 484,539	\$ 484,539	\$ 153,910	\$ 153,910	\$ 638,449	\$ 638,449
Construction in progress	2,781,067	73,438	365,951	30,099	3,147,018	103,537
Buildings and improvements	2,817,506	2,820,075	95,015	97,730	2,912,521	2,917,805
Equipment and vehicles	1,665,849	1,454,836	1,085,366	1,105,194	2,751,215	2,560,030
Infrastructure	7,073,504	7,470,699	7,067,305	5,873,393	14,140,809	13,344,092
	<u>\$ 14,822,465</u>	<u>\$ 12,303,587</u>	<u>\$ 8,767,547</u>	<u>\$ 7,260,326</u>	<u>\$ 23,590,012</u>	<u>\$ 19,563,913</u>

Capital assets are major assets that benefit more than one fiscal year. The City's capitalization threshold is \$ 5,000, that is, asset cost must equal \$ 5,000 or more to be capitalized. Infrastructure assets are long-lived capital assets that are normally stationary in nature with a useful life significantly greater than most capital assets. The City's governmental infrastructure includes streets, bridges, culverts, and sidewalks.

The City's total capital assets, net of depreciation, under governmental activities were \$ 14,822,465 at December 31, 2019, which was \$ 2,518,878 higher than the previous year. Business-type capital assets, net of depreciation, increased by \$ 1,507,221 to \$ 8,767,547. For more information about the City's capital assets, see Note 8 to the Basic Financial Statements.

**Debt**

Outstanding long-term debt obligations of the City at December 31, consisted of:

	Governmental Activities		Business type Activities		Total	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 21,945	\$ 27,416	\$ -	\$ -	\$ 21,945	\$ 27,416
OPWC loans	745,362	414,529	67,111	89,351	812,473	503,880
OWDA loan	-	-	2,033,064	844,217	2,033,064	844,217
General obligation bonds	-	-	237,282	350,923	237,282	350,923
Capital leases	116,285	115,007	776,468	833,481	892,753	948,488
	<u>\$ 883,592</u>	<u>\$ 556,952</u>	<u>\$ 3,113,925</u>	<u>\$ 2,117,972</u>	<u>\$ 3,997,517</u>	<u>\$ 2,674,924</u>

As of December 31, 2019, the City had long-term debt obligations, excluding accrued leave benefits and net pension/OPEB liability, of \$ 3,997,517, with \$ 507,579 due within one year.

The general obligation bonds include various purposes including road improvements, city hall improvement, storm water improvements and construction. Sources for debt service payments include property tax collections and transfers from various funds. The OPWC loans consist of several no interest loans with terms between eight and twenty years, used primarily for street reconstruction, which are repaid from the City's capital projects, street funds and sanitary sewer capital improvement funds.

The State of Ohio statute limits the amount of general obligation debt, including both voted and unvoted debt, but excluding certain exempt debt, that may be issued to 10 ½ percent of the total tax valuation of all property within the City. For more information about the City's long-term obligations, see Notes 9, 10, 11, 13 and 14 to the Basic Financial Statements.

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
UNAUDITED

**Economic Factors and Next Year's Budget**

In 2019 the City recognized completion of critical capital improvements projects such as full depth pavement replacement of State Route 301/Abbe Road and waterline and road repairs to Harris Road. Combining low interest loans and awarded grants has enabled these and subsequent improvements to be realized such as a grant from Ohio Department of Natural Resources (ODNR) for improvement to our Day Ditch at the City's southern border. This improvement, which includes a retention area, ensures that this public watercourse allows for proper drainage and waterflow giving this area much needed relief. Additionally, the City's three sewage pump stations were replaced/renewed with new technology allowing for continued monitoring and control of flow and efficiency. The addition and improvements to our Joyce E. Hanks Community Center, which broke ground in the fall of 2018, saw completion in 2019 enabling a greater array of functions due to its increased capacity. Administration, in combination with City Council, has taken a very conservative handling of City expenses due to the subsequent event in 2020 with the COVID19 pandemic. The Mayor has initiated a hiring freeze until further notice as well as all capital improvements and/or purchases have also been suspended. However, projects that have been fully funded by grants and loans will most likely proceed. As we tread these uncertain waters, City revenues will be closely monitored and any needed reductions or changes will be dealt with promptly. The Finance Director, Mayor and City Council work closely in the monitoring of the City's current budget as well as the preparation of the 2021 budget taking into consideration revenue losses and delays due to the pandemic.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and show the City's accountability for the money it receives and spends. If you have any questions about this report or need additional financial information, contact the Finance Department, City of Sheffield Lake, 609 Harris Rd., Sheffield Lake, Ohio 44054; telephone (440) 949-7141.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in pooled cash	\$ 3,462,614	\$ 1,505,247	\$ 4,967,861
Accounts and other receivable	159,687	298,490	458,177
Due from other governments	612,958	3,087	616,045
Inventories and supplies	26,904	-	26,904
Prepaid expenses	59,693	12,900	72,593
Income taxes receivable	2,484,300	-	2,484,300
Property taxes receivable	1,948,100	-	1,948,100
Special assessments receivable	-	43,274	43,274
Property held for resale	4,407,888	-	4,407,888
Capital assets			
Nondepreciable capital assets	3,265,606	519,861	3,785,467
Depreciable capital assets, net	11,556,859	8,247,686	19,804,545
<b>Total assets</b>	<b>27,984,609</b>	<b>10,630,545</b>	<b>38,615,154</b>
<b>Deferred outflow s of resources</b>			
Pension	2,132,645	391,124	2,523,769
OPEB	472,687	55,629	528,316
<b>Total deferred outflow s of resources</b>	<b>2,605,332</b>	<b>446,753</b>	<b>3,052,085</b>
<b>Liabilities</b>			
Accounts and contracts payable	642,869	329,172	972,041
Accrued wages and benefits	130,955	24,235	155,190
Accrued interest payable	35,800	7,700	43,500
Due to other governments	69,137	11,004	80,141
Notes payable	3,450,905	-	3,450,905
Long term liabilities			
Due w ithin one year	225,595	281,984	507,579
Due in more than one year			
Net pension liability	7,434,160	1,248,335	8,682,495
Net OPEB liability	1,425,267	553,359	1,978,626
Other amounts	1,813,800	2,924,183	4,737,983
<b>Total liabilities</b>	<b>15,228,488</b>	<b>5,379,972</b>	<b>20,608,460</b>
<b>Deferred inflow s of resources</b>			
Property taxes	1,697,800	-	1,697,800
Pension	80,713	24,822	105,535
OPEB	193,466	1,729	195,195
<b>Total deferred inflow s of resources</b>	<b>1,971,979</b>	<b>26,551</b>	<b>1,998,530</b>
<b>Net position</b>			
Net investment in capital assets	13,087,968	5,650,904	18,738,872
Restricted for:			
Debt service	35,184	-	35,184
Capital projects	1,580,447	-	1,580,447
Highw ays and streets	1,017,091	-	1,017,091
Public safety	236,895	-	236,895
Recreation	96,177	-	96,177
Community environment	174,138	-	174,138
Other purposes	822	-	822
Unrestricted	(2,839,248)	19,871	(2,819,377)
<b>Total net position</b>	<b>\$ 13,389,474</b>	<b>\$ 5,670,775</b>	<b>\$ 19,060,249</b>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 947,729	\$ 341,456	\$ 12,140	\$ 102,737
Public health and welfare	6,227	-	-	-
Leisure time activities	755,300	31,420	-	52,244
Community environment	171,248	-	28,329	13,898
Basic utility services	820,301	808,902	10,813	-
Transportation	604,900	35,863	-	1,342,884
General government	1,745,474	716,084	-	-
Interest	179,706	-	-	-
<b>Total governmental activities</b>	<b>5,230,885</b>	<b>1,933,725</b>	<b>51,282</b>	<b>1,511,763</b>
Business-type activities:				
Water	1,283,282	1,011,247	-	106,926
Sewer	1,517,366	1,507,595	-	-
Storm Water	353,466	292,434	-	-
<b>Total business-type activities</b>	<b>3,154,114</b>	<b>2,811,276</b>	<b>-</b>	<b>106,926</b>
<b>Total</b>	<b>\$ 8,384,999</b>	<b>\$ 4,745,001</b>	<b>\$ 51,282</b>	<b>\$ 1,618,689</b>

General revenues

Property and other local taxes levied for:

General purpose

Debt service

Other

Municipal income taxes levied for:

General purpose

Roads

Grants and entitlements not restricted to specific purposes

Investment earnings

Miscellaneous

Total general revenues

Transfers

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.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (491,396)	\$ -	\$ (491,396)
(6,227)	-	(6,227)
(671,636)	-	(671,636)
(129,021)	-	(129,021)
(586)	-	(586)
773,847	-	773,847
(1,029,390)	-	(1,029,390)
(179,706)	-	(179,706)
<u>(1,734,115)</u>	<u>-</u>	<u>(1,734,115)</u>
-	(165,109)	(165,109)
-	(9,771)	(9,771)
-	(61,032)	(61,032)
<u>-</u>	<u>(235,912)</u>	<u>(235,912)</u>
<u>(1,734,115)</u>	<u>(235,912)</u>	<u>(1,970,027)</u>
344,092	-	344,092
79,090	-	79,090
1,295,741	-	1,295,741
3,038,129	-	3,038,129
458,833	-	458,833
1,073,257	-	1,073,257
112,525	-	112,525
99,229	293	99,522
<u>6,500,896</u>	<u>293</u>	<u>6,501,189</u>
<u>9,842</u>	<u>(9,842)</u>	<u>-</u>
4,776,623	(245,461)	4,531,162
8,612,851	5,916,236	14,529,087
<u>\$ 13,389,474</u>	<u>\$ 5,670,775</u>	<u>\$ 19,060,249</u>

CITY OF SHEFFIELD LAKE, OHIO  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	General	Roads Income Tax Fund	Shoreway Capital Project	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in pooled cash	\$ 2,842,056	\$ 287,834	\$ -	\$ -	\$ 332,724	\$ 3,462,614
Income taxes receivables	2,161,341	322,959	-	-	-	2,484,300
Property taxes receivable	414,500	-	-	-	1,533,600	1,948,100
Due from other governments	139,959	-	-	-	472,999	612,958
Accounts and other receivable	159,687	-	-	-	-	159,687
Inventories and supplies	6,579	-	-	-	20,325	26,904
Prepaid expenses	57,293	-	-	-	2,400	59,693
Property held for resale	459,741	-	3,948,147	-	-	4,407,888
<b>Total assets</b>	<b>\$ 6,241,156</b>	<b>\$ 610,793</b>	<b>\$ 3,948,147</b>	<b>\$ -</b>	<b>\$ 2,362,048</b>	<b>\$ 13,162,144</b>
<b>Liabilities</b>						
Accounts and contracts payable	\$ 520,330	\$ 117,350	\$ -	\$ -	\$ 5,189	\$ 642,869
Accrued wages and benefits	120,418	-	-	-	10,537	130,955
Accrued interest payable	-	5,600	17,700	5,000	7,500	35,800
Due to other governments	64,420	-	-	-	4,717	69,137
Notes payable	-	431,905	2,600,000	169,000	250,000	3,450,905
Accrued leave benefits	144,229	-	-	-	-	144,229
<b>Total liabilities</b>	<b>849,397</b>	<b>554,855</b>	<b>2,617,700</b>	<b>174,000</b>	<b>277,943</b>	<b>4,473,895</b>
<b>Deferred inflow s of resources</b>						
Property taxes levied for next year and unavailable resources	2,311,976	258,505	-	-	1,956,700	4,527,181
<b>Total deferred inflow s of resources</b>	<b>2,311,976</b>	<b>258,505</b>	<b>-</b>	<b>-</b>	<b>1,956,700</b>	<b>4,527,181</b>
<b>Fund balances</b>						
Nonspendable	63,872	-	1,330,447	-	22,725	1,417,044
Restricted	-	-	-	-	362,180	362,180
Assigned	1,580,594	-	-	-	-	1,580,594
Unassigned	1,435,317	(202,567)	-	(174,000)	(257,500)	801,250
<b>Total fund balances</b>	<b>3,079,783</b>	<b>(202,567)</b>	<b>1,330,447</b>	<b>(174,000)</b>	<b>127,405</b>	<b>4,161,068</b>
<b>Total liabilities, deferred inflow s of resources and fund balances</b>	<b>\$ 6,241,156</b>	<b>\$ 610,793</b>	<b>\$ 3,948,147</b>	<b>\$ -</b>	<b>\$ 2,362,048</b>	<b>\$ 13,162,144</b>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

DECEMBER 31, 2019

Total governmental funds balances		\$ 4,161,068
Amount reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		14,822,465
Other long term assets are not available to pay for current period expenditures and therefore are deferred inflow s in the funds:		
Property and other local taxes	\$ 250,300	
Accounts and other receivables	40,308	
Municipal income tax	1,988,500	
Intergovernmental	550,273	
Total	2,829,381	2,829,381
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflow s/outflow s are not reported in governmental funds:		
Deferred outflow s - pension	2,132,645	
Deferred inflow s - pension	(80,713)	
Net pension liability	(7,434,160)	
Deferred outflow s - OPEB	472,687	
Deferred inflow s - OPEB	(193,466)	
Net OPEB liability	(1,425,267)	(6,528,274)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable	(21,945)	
OPWC loans payable	(745,362)	
Capital leases	(116,285)	
Accrued leave benefits	(1,011,574)	(1,895,166)
Net position of governmental activities		\$ 13,389,474

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Roads Income Tax Fund	Shoreway Capital Project	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property and other local taxes	\$ 360,292	\$ -	\$ -	\$ -	\$ 1,343,031	\$ 1,703,323
Municipal income taxes	3,175,154	479,308	-	-	-	3,654,462
Intergovernmental revenue	416,087	177,000	-	1,165,884	754,106	2,513,077
Charges for services	1,521,422	-	-	-	150	1,521,572
Fines, licenses, and permits	258,668	-	-	-	1,800	260,468
Interest	110,400	-	-	-	2,125	112,525
Miscellaneous	213,851	-	-	-	38,311	252,162
<b>Total revenues</b>	<b>6,055,874</b>	<b>656,308</b>	<b>-</b>	<b>1,165,884</b>	<b>2,139,523</b>	<b>10,017,589</b>
<b>Expenditures</b>						
<b>Current</b>						
Security of persons and property	2,544,524	-	-	-	979,625	3,524,149
Public health and welfare	6,227	-	-	-	-	6,227
Leisure time activities	267,580	-	-	-	442,420	710,000
Community environment	163,154	-	-	-	7,416	170,570
Basic utility services	797,025	-	-	-	-	797,025
Transportation	-	104,532	-	-	392,039	496,571
General government	1,306,650	-	-	-	2,101	1,308,751
Capital outlay	884,157	952,918	-	1,336,067	34,783	3,207,925
<b>Debt service</b>						
Note principal	5,471	-	-	-	-	5,471
OPWC loan principal	-	32,712	-	-	-	32,712
Capital lease principal	19,309	-	-	-	48,978	68,287
Interest and fiscal charges	22,613	19,700	111,312	5,000	21,081	179,706
<b>Total expenditures</b>	<b>6,016,710</b>	<b>1,109,862</b>	<b>111,312</b>	<b>1,341,067</b>	<b>1,928,443</b>	<b>10,507,394</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>39,164</b>	<b>(453,554)</b>	<b>(111,312)</b>	<b>(175,183)</b>	<b>211,080</b>	<b>(489,805)</b>
<b>Other financing sources (uses)</b>						
Transfers-in	-	-	210,892	-	183,089	393,981
Loan proceeds	-	363,545	-	-	-	363,545
Capital lease proceeds	34,782	-	-	-	34,783	69,565
Transfers-out	(299,139)	-	-	-	(85,000)	(384,139)
<b>Total other financing sources (uses)</b>	<b>(264,357)</b>	<b>363,545</b>	<b>210,892</b>	<b>-</b>	<b>132,872</b>	<b>442,952</b>
<b>Net change in fund balance</b>	<b>(225,193)</b>	<b>(90,009)</b>	<b>99,580</b>	<b>(175,183)</b>	<b>343,952</b>	<b>(46,853)</b>
Fund balances, beginning of year, restated	3,304,976	(112,558)	1,230,867	1,183	(216,547)	4,207,921
<b>Fund balances, end of year</b>	<b>\$ 3,079,783</b>	<b>\$ (202,567)</b>	<b>\$ 1,330,447</b>	<b>\$ (174,000)</b>	<b>\$ 127,405</b>	<b>\$ 4,161,068</b>

See accompanying notes to the basic financial statements.



CITY OF SHEFFIELD LAKE, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds	\$	(46,853)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Capital outlay, net	\$ 3,195,669	
Depreciation expense	<u>(645,224)</u>	
	.	2,550,445
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received.		
		(31,567)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Municipal income tax	(157,500)	
Property and other local taxes	15,600	
Miscellaneous	(1,248)	
Intergovernmental revenue	<u>123,225</u>	
		(19,923)
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities.		
Note proceeds	(363,545)	
Inception of capital lease	<u>(69,565)</u>	
		(433,110)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Note principal paid	5,471	
OPWC loan principal paid	32,712	
Capital lease principal paid	<u>68,287</u>	
		106,470
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	484,229	
OPEB	<u>8,242</u>	
		492,471
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities.		
Pension	(968,978)	
OPEB	<u>3,143,496</u>	
		2,174,518
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Accrued leave benefits		
		<u>(15,828)</u>
Change in net position of governmental activities	\$	<u><u>4,776,623</u></u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Property and other local taxes	\$ 351,857	\$ 360,292	\$ 360,292	\$ -
Municipal income taxes	2,901,750	3,209,766	3,209,867	101
Intergovernmental revenue	313,814	456,687	456,687	-
Charges for services	696,550	708,550	708,550	-
Fines, licenses, and permits	198,700	173,873	175,800	1,927
Interest	89,000	110,000	110,400	400
Miscellaneous	165,176	213,851	213,851	-
<b>Total revenues</b>	<b>4,716,847</b>	<b>5,233,019</b>	<b>5,235,447</b>	<b>2,428</b>
<b>Expenditures</b>				
<b>Current</b>				
Security of persons and property	2,626,572	2,671,872	2,495,986	175,886
Public health and welfare	44,100	44,100	26,225	17,875
Leisure time activities	304,832	312,983	265,258	47,725
Community environment	221,350	221,350	176,750	44,600
General government	1,715,023	1,830,344	1,343,867	486,477
Capital outlay	1,053,559	1,083,559	850,342	233,217
<b>Debt service</b>				
Principal	300,470	300,470	291,362	9,108
Capital lease principal	6,050	9,925	9,862	63
Interest and fiscal charges	44,000	44,000	35,445	8,555
<b>Total expenditures</b>	<b>6,315,956</b>	<b>6,518,603</b>	<b>5,495,097</b>	<b>1,023,506</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,599,109)</b>	<b>(1,285,584)</b>	<b>(259,650)</b>	<b>1,025,934</b>
<b>Other financing sources (uses)</b>				
Advances - in	-	150,000	150,000	-
Advances - out	-	(150,000)	(150,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(1,599,109)</b>	<b>(1,285,584)</b>	<b>(259,650)</b>	<b>1,025,934</b>
Prior year encumbrances	343,740	343,740	343,740	-
Fund balance, beginning of year	2,082,206	2,082,206	2,082,206	-
<b>Fund balance, end of year</b>	<b>\$ 826,837</b>	<b>\$ 1,140,362</b>	<b>\$ 2,166,296</b>	<b>\$ 1,025,934</b>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Roads Income Tax Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Municipal income taxes	\$ 450,000	\$ 484,481	\$ 484,496	\$ 15
Total revenues	<u>450,000</u>	<u>484,481</u>	<u>484,496</u>	<u>15</u>
<b>Expenditures</b>				
Current				
Transportation	475,575	625,574	540,240	85,334
Debt service				
Principal	40,000	40,000	40,000	-
OPWC loan principal	46,812	46,812	32,712	14,100
Interest and fiscal charges	15,400	15,400	15,400	-
Total expenditures	<u>577,787</u>	<u>727,786</u>	<u>628,352</u>	<u>99,434</u>
Excess (deficiency) of revenues over expenditures	<u>(127,787)</u>	<u>(243,305)</u>	<u>(143,856)</u>	<u>99,449</u>
<b>Other financing sources (uses)</b>				
Loan proceeds	-	150,000	150,000	-
Advances - in	-	150,000	150,000	-
Advances - out	-	(150,000)	(150,000)	-
Total other financing sources (uses)	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balance	(127,787)	(93,305)	6,144	99,449
Prior year encumbrances	55,574	55,574	55,574	-
Fund balance, beginning of year	<u>85,431</u>	<u>85,431</u>	<u>85,431</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,218</u>	<u>\$ 47,700</u>	<u>\$ 147,149</u>	<u>\$ 99,449</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF FUND NET POSITION -  
PROPRIETARY FUNDS  
DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
<b>Assets</b>				
Current assets				
Equity in pooled cash	\$ 532,275	\$ 872,487	\$ 100,485	\$ 1,505,247
Accounts and other receivable	112,689	152,414	33,387	298,490
Due from other governments	2,794	293	-	3,087
Prepaid expenses	6,300	6,300	300	12,900
Total current assets	<u>654,058</u>	<u>1,031,494</u>	<u>134,172</u>	<u>1,819,724</u>
Noncurrent assets				
Special assessments receivable	-	-	43,274	43,274
Nondepreciable capital assets	357,456	36,497	125,908	519,861
Depreciable capital assets, net	1,755,954	2,135,696	4,356,036	8,247,686
Total noncurrent assets	<u>2,113,410</u>	<u>2,172,193</u>	<u>4,525,218</u>	<u>8,810,821</u>
Total assets	<u>2,767,468</u>	<u>3,203,687</u>	<u>4,659,390</u>	<u>10,630,545</u>
Deferred outflow s of resources				
Pension	149,772	197,470	43,882	391,124
OPEB	21,302	28,086	6,241	55,629
Total deferred outflow s of resources	<u>171,074</u>	<u>225,556</u>	<u>50,123</u>	<u>446,753</u>
<b>Liabilities</b>				
Current				
Accounts and contracts payable	50,090	270,029	9,053	329,172
Accrued wages and benefits	10,735	10,735	2,765	24,235
Accrued interest payable	6,700	-	1,000	7,700
Due to other governments	5,012	5,012	980	11,004
OPWC loans payable	-	-	19,122	19,122
OWDA loans payable	31,487	57,354	-	88,841
General obligation bonds payable	-	-	115,000	115,000
Capital leases	59,021	-	-	59,021
Total current liabilities	<u>163,045</u>	<u>343,130</u>	<u>147,920</u>	<u>654,095</u>
Long-term liabilities				
OPWC loans payable	-	-	47,989	47,989
OWDA loans payable	722,973	1,221,250	-	1,944,223
General obligation bonds payable	-	-	122,282	122,282
Capital leases	717,447	-	-	717,447
Accrued leave benefits	44,418	44,418	3,406	92,242
Net pension liability	478,021	630,257	140,057	1,248,335
Net OPEB liability	211,896	279,379	62,084	553,359
Total long-term liabilities	<u>2,174,755</u>	<u>2,175,304</u>	<u>375,818</u>	<u>4,725,877</u>
Total liabilities	<u>2,337,800</u>	<u>2,518,434</u>	<u>523,738</u>	<u>5,379,972</u>
Deferred inflow s of resources				
Pension	9,505	12,532	2,785	24,822
OPEB	662	873	194	1,729
Total deferred inflow s of resources	<u>10,167</u>	<u>13,405</u>	<u>2,979</u>	<u>26,551</u>
<b>Net position</b>				
Net investment in capital assets	582,482	893,589	4,174,833	5,650,904
Unrestricted	8,093	3,815	7,963	19,871
Total net position	<u>\$ 590,575</u>	<u>\$ 897,404</u>	<u>\$ 4,182,796</u>	<u>\$ 5,670,775</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues				
Charges for services	\$ 1,005,720	\$ 1,502,068	\$ 289,833	\$ 2,797,621
Miscellaneous	5,527	5,527	2,601	13,655
Total operating revenues	<u>1,011,247</u>	<u>1,507,595</u>	<u>292,434</u>	<u>2,811,276</u>
Operating expenses				
Personal services	642,172	648,047	142,563	1,432,782
Contractual services	477,213	670,123	3,629	1,150,965
Supplies and materials	24,615	33,293	12,083	69,991
Other operating	22,323	4,361	27,056	53,740
Depreciation	63,150	84,371	154,330	301,851
Total operating expenses	<u>1,229,473</u>	<u>1,440,195</u>	<u>339,661</u>	<u>3,009,329</u>
Operating income (loss)	<u>(218,226)</u>	<u>67,400</u>	<u>(47,227)</u>	<u>(198,053)</u>
Nonoperating revenues (expenses)				
Loss on disposal of capital assets	-	(62,465)	-	(62,465)
Intergovernmental revenue	106,926	293	-	107,219
Interest and fiscal charges	(53,809)	(14,706)	(13,805)	(82,320)
Net nonoperating revenues (expenses)	<u>53,117</u>	<u>(76,878)</u>	<u>(13,805)</u>	<u>(37,566)</u>
(Loss) before transfers	(165,109)	(9,478)	(61,032)	(235,619)
Transfers out	<u>-</u>	<u>-</u>	<u>(9,842)</u>	<u>(9,842)</u>
Change in net position	(165,109)	(9,478)	(70,874)	(245,461)
Net position, beginning of year	<u>755,684</u>	<u>906,882</u>	<u>4,253,670</u>	<u>5,916,236</u>
Net position, end of year	<u>\$ 590,575</u>	<u>\$ 897,404</u>	<u>\$ 4,182,796</u>	<u>\$ 5,670,775</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,015,318	\$ 1,499,097	\$ 296,134	\$ 2,810,549
Cash paid to suppliers for materials and supplies	(25,158)	(35,787)	(4,879)	(65,824)
Cash paid for employee services and benefits	(345,713)	(355,108)	(95,110)	(795,931)
Cash paid for contractual services	(469,377)	(415,631)	(4,074)	(889,082)
Other operating revenues	5,527	5,527	2,601	13,655
Other operating expenses	(22,750)	(4,343)	(25,751)	(52,844)
Net cash provided by operating activities	<u>157,847</u>	<u>693,755</u>	<u>168,921</u>	<u>1,020,523</u>
Cash flows from capital and related financing activities:				
Special assessments	-	-	8,954	8,954
Payment on capital lease	(85,608)	-	-	(85,608)
OPWC loans payments	-	-	(22,240)	(22,240)
OWDA loan payment	(30,418)	(36,673)	-	(67,091)
Bond principal payments	-	-	(115,000)	(115,000)
Payment of interest and fiscal charges	(25,814)	(14,706)	(12,446)	(52,966)
Acquisition of fixed assets	(13,538)	(478,563)	(5,498)	(497,599)
Net cash (used in) capital and related financing activities	<u>(155,378)</u>	<u>(529,942)</u>	<u>(146,230)</u>	<u>(831,550)</u>
Cash flows from noncapital financing activities:				
Transfers out	-	-	(9,842)	(9,842)
Net cash (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(9,842)</u>	<u>(9,842)</u>
Net increase in equity in pooled cash	2,469	163,813	12,849	179,131
Equity in pooled cash, beginning of year	<u>529,806</u>	<u>708,674</u>	<u>87,636</u>	<u>1,326,116</u>
Equity in pooled cash, end of year	<u>\$ 532,275</u>	<u>\$ 872,487</u>	<u>\$ 100,485</u>	<u>\$ 1,505,247</u>
Non-cash capital and related financing transactions:				
Capital asset acquired through loan and grant proceeds	<u>\$ 357,785</u>	<u>\$ 1,046,252</u>	<u>\$ -</u>	<u>\$ 1,404,037</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (218,226)	\$ 67,400	\$ (47,227)	\$ (198,053)
Adjustments:				
Depreciation	63,150	84,371	154,330	301,851
(Increase) decrease in assets:				
Accounts and other receivable	9,598	(2,971)	6,301	12,928
Prepaid expenses	(2,600)	(2,600)	(200)	(5,400)
(Increase) in deferred outflows of resources - pension	(110,464)	(134,744)	(27,574)	(272,782)
(Increase) in deferred outflows of resources - OPEB	(13,851)	(16,195)	(3,149)	(33,195)
Increase (decrease) in liabilities:				
Accounts and contracts payable	11,760	256,910	8,264	276,934
Accrued wages and benefits	2,493	2,493	361	5,347
Due to other governments	2,722	(2,164)	(208)	350
Accrued leave benefits	19,719	7,370	83	27,172
Net pension liability	321,410	380,346	75,080	776,836
Net OPEB liability	110,636	117,793	20,072	248,501
(Decrease) in deferred inflows of resources - pension	(31,519)	(52,931)	(14,235)	(98,685)
(Decrease) in deferred inflows of resources - OPEB	(6,981)	(11,323)	(2,977)	(21,281)
Net cash provided by operating activities	<u>\$ 157,847</u>	<u>\$ 693,755</u>	<u>\$ 168,921</u>	<u>\$ 1,020,523</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF FIDUCIARY NET POSITION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
DECEMBER 31, 2019

	Custodial Fund
<b>Assets</b>	
Equity in pooled cash	\$ 3,747
Total assets	3,747
<b>Liabilities</b>	
Accounts payable	200
Total liabilities	200
<b>Net Position</b>	
Restricted for individuals and organizations	\$ 3,547

	Custodial Fund
<b>Additions</b>	
Rental deposits	\$ 8,310
Total additions	8,310
<b>Deductions</b>	
Refunds of deposits	7,805
Total deductions	7,805
Net increase in fiduciary net position	505
Net position at beginning of year, restated	3,042
Net position at end of year	\$ 3,547

See accompanying notes to the basic financial statements.



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

NOTE 1 DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Sheffield Lake, Ohio was founded in 1815. The voters originally adopted the Sheffield Lake Charter in November 1961, in order to secure the benefits of municipal home rule. Under the Ohio Constitution, the City may exercise all powers of local self-government to the extent not in conflict with applicable general laws. The City, under its charter, operates with an elected Council/Mayor form of government. The responsibilities for the major financial functions of the City are divided among the Mayor, Council, and Finance Director. The City's fiscal year corresponds with the calendar year.

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government of the City consists of all funds, agencies, departments, boards and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, sanitation, building inspection, parks and recreation, water and sewer, and mayor's court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organizations' governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization, or 2) the City is legally entitled to or can otherwise access the organizations' resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City does not have any component units, therefore the financial statements are that of the primary government.

The City is associated with the Lorain County General Health District, a jointly governed organization, which provides health services to the members of the Health District. The City does not have any financial interest in or responsibility for the Health District. The County Auditor serves as fiscal agent. See Note 18.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed with an aggregation program for the purchase of electricity. See Note 18.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sheffield Lake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

CITY OF SHEFFIELD LAKE, OHIO  
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

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City 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 City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City 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 City 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. Fiduciary funds are reported by type.

B. FUND ACCOUNTING

The City 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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

General Fund - The General fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Roads Income Tax Fund – This fund accounts for resources from income tax revenue and expenditures for road improvements.

Shoreway Capital Project Fund – This fund accounts for the cleaning up, remediation of and redevelopment of the Shoreway Shopping Center.

Capital Improvements Fund – This fund accounts for resources used for the acquisition and construction of major capital assets.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City 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 City's major enterprise funds:

Water Fund - The Water fund accounts for the operation of the City's drinking water distribution system.

Sewer Fund – The Sewer fund accounts for the operation of the City's sewer collection system.

Storm Water Fund – The Storm Water fund accounts for the operation of the City's storm water system.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The City has no trust funds. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial fund accounts for rental deposits for the Community Center.

C. MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in net position.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Amounts reported as program revenues include: charges to customers for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues, as are taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in accordance with the proprietary fund's principle on going operations. The principle operating revenue of the City's water fund, sewer fund and storm water fund are charges for services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's water and sewer utility systems as operating revenue. Operating expenses for the enterprise funds include the cost of services, administrative expenses and overhead and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

As with the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified. 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 certificate of estimated resources in effect at the time the final appropriations were enacted by 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 appropriations amounts passed by Council during the year.

F. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash" on the balance sheet. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly balances. Interest revenue credited to the General Fund during the year amounted to \$ 110,400 of which \$ 45,552 was assigned from other City Funds.

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

The City has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year. STAR 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 City 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.

For STAR Ohio's fiscal year ended June 30, 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. However, twenty-four hours advance notice to Public Funds Administrators is appreciated for deposits and withdrawals of \$ 25 million or more. STAR Ohio reserves the right to limit the transactions 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market. The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds.

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of streets, bridges, culverts, curbs, sidewalks, storm sewers, and water and sanitary sewer systems. Improvements are capitalized; whereas the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	30 to 50 years
Infrastructure	10 to 50 years
Equipment and vehicles	3 to 20 years

I. PROPERTY HELD FOR RESALE

Property held for resale is recorded at the lower of cost or net realizable value.

J. INTERFUND BALANCES

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans, which do not represent available expendable resources would be offset by an equal amount in nonspendable fund balance unless the proceeds from their collection are restricted, committed or assigned. Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. ACCRUED LEAVE BENEFITS

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

L. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. NET POSITION

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net position for the governmental activities reports \$ 3,140,754 of restricted net position, none of which is restricted by enabling legislation. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

N. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the City 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 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 loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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.



CITY OF SHEFFIELD LAKE, OHIO  
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)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. 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.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City 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 the City Council.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City 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. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services primarily for water, sanitary sewer and storm water services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

P. CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. INTERFUND ACTIVITY

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. PENSIONS / OTHER POST EMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

S. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

T. USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION AND FUND BALANCE

A. CHANGE IN ACCOUNTING PRINCIPLES

For 2019, the City implemented GASB Statement No. 84, "Fiduciary Activities". 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 City will no longer be reporting agency funds. The City reviewed its agency funds and one fund will be reported in the new fiduciary fund classification of custodial funds while the other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements.

For 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

GASB 88 improves 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. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

CITY OF SHEFFIELD LAKE, OHIO  
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**

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position

**B. RESTATEMENT OF NET POSITION**

Net position of governmental activities at December 31, 2018 has been restated for the implementation of GASB 84. The effect of the restatement is as follows:

	Governmental Activities
Net position, December 31, 2018	\$ 8,541,871
Adjustments:	
GASB 84	70,980
Restated net position, December 31, 2018	\$ 8,612,851

**C. RESTATEMENT OF FUND BALANCE**

The implementation of GASB Statement No. 84 had the following effect on fund balances of governmental funds and fiduciary net position as of December 31, 2018:

	General	Roads Income Tax	Shoreway Capital Project	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Fund balance, December 31, 2018	\$ 3,238,520	\$ (112,558)	\$ 1,230,867	\$ 1,183	\$ (216,171)	\$ 4,141,841
Adjustments:						
GASB 84	66,456	-	-	-	(376)	66,080
Restated fund balance, December 31, 2018	\$ 3,304,976	\$ (112,558)	\$ 1,230,867	\$ 1,183	\$ (216,547)	\$ 4,207,921

At December 31, 2018, the Roads Income Tax Fund and Capital Improvements Fund did not meet the criteria to be presented as a major fund and were included with Other Governmental Funds.

	Custodial Funds	
	Agency	Custodial
Net position, December 31, 2018	\$ -	\$ -
Adjustments:		
Assets	559,422	3,042
Liabilities	(559,422)	-
Restated net position, December 31, 2018	\$ -	\$ 3,042

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

NOTE 4 BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual” is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid or encumbered (budget basis), rather than when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance (GAAP basis)

Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund and Road Income Tax Fund.

	Net Change in Fund Balance	
	General Fund	Roads Income Tax Fund
Budget basis	\$ (259,650)	\$ 6,144
Adjustments, increase (decrease)		
Revenue accruals	(214,764)	235,357
Expenditure accruals	(288,196)	(472,195)
Encumbrances	504,889	140,685
Net change in fund balance for funds combined with the General Fund for GASB 54	32,528	-
GAAP basis, as reported	\$ (225,193)	\$ (90,009)

CITY OF SHEFFIELD LAKE, OHIO  
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 City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below:

	General Fund	Roads Income Tax Fund	Shoreway Capital Project Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable:						
Inventories and supplies	\$ 6,579	\$ -	\$ -	\$ -	\$ 20,325	\$ 26,904
Prepaid expenses	57,293	-	-	-	2,400	59,693
Shoreway capital project	-	-	1,330,447	-	-	1,330,447
<b>Total nonspendable</b>	<b>63,872</b>	<b>-</b>	<b>1,330,447</b>	<b>-</b>	<b>22,725</b>	<b>1,417,044</b>
Restricted for:						
Debt service	-	-	-	-	16,884	16,884
Highways and streets	-	-	-	-	249,723	249,723
Public safety	-	-	-	-	46,195	46,195
Recreation	-	-	-	-	11,877	11,877
Community environment	-	-	-	-	36,679	36,679
Other	-	-	-	-	822	822
<b>Total restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>362,180</b>	<b>362,180</b>
Assigned for:						
Encumbrances	49,869	-	-	-	-	49,869
Next year's appropriations	1,393,266	-	-	-	-	1,393,266
Refuse services	137,459	-	-	-	-	137,459
<b>Total assigned</b>	<b>1,580,594</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,580,594</b>
Unassigned	1,435,317	(202,567)	-	(174,000)	(257,500)	801,250
<b>Total fund balances</b>	<b>\$ 3,079,783</b>	<b>\$ (202,567)</b>	<b>\$ 1,330,447</b>	<b>\$ (174,000)</b>	<b>\$ 127,405</b>	<b>\$ 4,161,068</b>

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

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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 the City 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 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. Obligations of the United States including U.S. treasury securities and government agency securities guaranteed by the United States.
2. United States government agency securities and the securities issued by instrumentalities of the U.S. including, but not limited to, obligations of the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Farm Credit Bank, the Federal Home Loan Bank, the Government National Mortgage Association (GNMA), and the Small Business Administration (SBA).
3. State Treasury Asset Reserve of Ohio (STAR Ohio).
4. Obligations of the State of Ohio and obligations of political subdivisions of the State of Ohio.
5. Deposits of any Ohio financial institution subject to collateralization of public funds defined by the Ohio Revised Code.
6. Bankers Acceptances and Deposits of the top fifty banks in the United States based upon asset size or Ohio based financial institutions with at least \$2 billion in total assets.
7. Prime Commercial Paper issued with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service.
8. Obligations of corporate entities having debt rating of Aa or better by Standard & Poor's Corporation or Moody's rating service.

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

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. DEPOSITS AND CASH ON HAND

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. At fiscal year end, the carrying amount of the City's deposits was \$ 1,028,702 and the bank balance was \$ 1,371,434. Of the bank balance, \$ 250,000 was covered by federal depository insurance and \$ 1,121,434 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Governmental Accounting Standards Board.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 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.

Cash on hand at December 31, 2019 amounted to \$ 200.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

	<u>Maturities</u>	<u>Fair Value</u>
STAR Ohio	<u>55.7 days</u>	<u>\$ 3,942,706</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2019. As discussed further in Note 2F, STAR Ohio is reported at its share price. All other investments of the City are valued using quoted market prices (Level 1 inputs).

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

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

E. CREDIT RISK

The City follows the Ohio Revised Code that limits its investment choices

F. CONCENTRATION OF CREDIT RISK

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

NOTE 7 RECEIVABLES

Receivables at December 31, 2019 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, and accounts (billings for utility service).

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

A. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility tangible personal property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes. Property tax payments received during 2019 for tangible personal property (other than public utility property) is for 2019 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 2019.

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

The full tax rate for all City operations for the year ended December 31, 2019 was \$ 19.36 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	\$ 144,916,990
Commercial/industrial	21,702,910
Tangible personal property	
Public utilities	2,767,210
Total valuation	\$ 169,387,110



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

NOTE 7 RECEIVABLES (continued)

A. PROPERTY TAXES (continued)

Real property taxes are payable annually or semi-annually. If paid annually, the 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.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Sheffield Lake. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility personal property taxes and outstanding delinquencies which are measurable as of December 31, 2019 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by a credit to deferred inflows of resources since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is recorded to deferred inflows of resources.

B. INCOME TAXES

The City levies an income tax of 2.0% on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City with a certain credit for income taxes paid to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

C. DUE FROM OTHER GOVERNMENTS

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Local government assistance	\$ 100,400
Gasoline tax	326,272
Permissive tax	50,320
Homestead and rollback	122,300
Miscellaneous	13,666
Total governmental activities	612,958
Business-Type Activities	
Miscellaneous	3,087
Total business-type activities	3,087
Total due from other governments	\$ 616,045

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

NOTE 8 CAPITAL ASSETS

A summary of changes in capital assets during 2019 follows:

	Balance January 1	Additions	Disposals	Balance December 31
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 484,539	\$ -	\$ -	\$ 484,539
Construction in progress	73,438	2,746,994	39,365	2,781,067
Total capital assets, not being depreciated	<u>557,977</u>	<u>2,746,994</u>	<u>39,365</u>	<u>3,265,606</u>
Capital assets, being depreciated				
Buildings and improvements	4,566,359	81,640	7,392	4,640,607
Equipment and vehicles	3,265,446	406,400	272,001	3,399,845
Infrastructure	38,698,438	-	-	38,698,438
Total capital assets being depreciated	<u>46,530,243</u>	<u>488,040</u>	<u>279,393</u>	<u>46,738,890</u>
Less accumulated depreciation				
Buildings and improvements	1,746,284	84,210	7,393	1,823,101
Equipment and vehicles	1,810,610	163,819	240,433	1,733,996
Infrastructure	31,227,739	397,195	-	31,624,934
Total accumulated depreciation	<u>34,784,633</u>	<u>645,224</u>	<u>247,826</u>	<u>35,182,031</u>
Total capital assets being depreciated, net	<u>11,745,610</u>	<u>(157,184)</u>	<u>31,567</u>	<u>11,556,859</u>
Total governmental capital assets, net	<u>\$ 12,303,587</u>	<u>\$ 2,589,810</u>	<u>\$ 70,932</u>	<u>\$ 14,822,465</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 153,910	\$ -	\$ -	\$ 153,910
Construction in progress	30,099	365,951	30,099	365,951
Total capital assets, not being depreciated	<u>184,009</u>	<u>365,951</u>	<u>30,099</u>	<u>519,861</u>
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	1,708,014	48,326	11,269	1,745,071
Infrastructure	12,751,079	1,487,359	965,000	13,273,438
Total capital assets being depreciated	<u>14,609,911</u>	<u>1,535,685</u>	<u>976,269</u>	<u>15,169,327</u>
Less accumulated depreciation				
Buildings and improvements	53,088	2,715	-	55,803
Equipment and vehicles	602,823	66,689	9,804	659,708
Infrastructure	6,877,683	232,447	904,000	6,206,130
Total accumulated depreciation	<u>7,533,594</u>	<u>301,851</u>	<u>913,804</u>	<u>6,921,641</u>
Total capital assets being depreciated, net	<u>7,076,317</u>	<u>1,233,834</u>	<u>62,465</u>	<u>8,247,686</u>
Total business-type capital assets, net	<u>\$ 7,260,326</u>	<u>\$ 1,599,785</u>	<u>\$ 92,564</u>	<u>\$ 8,767,547</u>

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

NOTE 8 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$ 96,919
Leisure time activities	64,369
Basic utility services	34,306
Transportation	415,122
General government	34,508
	\$ 645,224

NOTE 9 NOTES PAYABLE

Short-term notes payable during the year consisted of the following general obligation bond anticipation notes:

	Balance January 1	Additions	Reductions	Balance December 31
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Shoreway Capital Project fund				
3.84% issued 10/25/18 due 10/24/19	\$ 2,700,000	\$ -	\$ 2,700,000	\$ -
Various purpose				
3.24% issued 8/10/18 due 8/9/19	410,000	-	410,000	-
Shoreway Capital Project fund				
3.55% issued 10/24/19 due 10/23/20	-	2,600,000	-	2,600,000
Various purpose				
3.00% issued 8/9/19 due 8/8/20	-	569,000	-	569,000
Tax anticipation note				
Street improvements				
4.78% issued 4/12/07 due 4/1/27	321,905	-	40,000	281,905
	\$ 3,431,905	\$ 3,169,000	\$ 3,150,000	\$ 3,450,905

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

NOTE 10 LONG-TERM DEBT

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds, long-term loans and notes follow:

Debt Issue	Original Issue Date	Maturity Date	Interest Rate	Original Issue Amount
<u>Governmental activities</u>				
911 system improvement note	2012	2022	0.00%	\$ 54,705
Ohio Public Works loan	2007	2028	0.00%	\$ 99,190
Ohio Public Works loan	2007	2028	0.00%	\$ 25,264
Ohio Public Works loan	2010	2030	0.00%	\$ 100,000
Ohio Public Works loan	2010	2030	0.00%	\$ 118,172
Ohio Public Works loan	2017	2033	0.00%	\$ 235,500
Ohio Public Works loan	2019	2040	0.00%	\$ 363,545
<u>Business-type activities</u>				
General obligation bonds				
Storm water improvements	2011	2021	1.00 - 3.70%	\$ 1,575,000
Ohio Public Works loan	2000	2020	0.00%	\$ 124,842
Ohio Public Works loan	2003	2024	0.00%	\$ 140,949
Ohio Public Works loan	2003	2024	0.00%	\$ 81,187
Ohio Public Works loan	2003	2024	0.00%	\$ 97,793
Ohio Water Development Authority loan	2016	2036	1.310%	\$ 337,586
Ohio Water Development Authority loan	2017	2037	3.530%	\$ 558,960
Ohio Water Development Authority loan	2019	2039	2.080%	\$ 1,016,153
Ohio Water Development Authority loan	2019	2039	2.410%	\$ 225,918

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

NOTE 10 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2019 were as follows:

	Balance January 1	Additions	Reductions	Balance December 31	Due in One Year
<u>Governmental activities</u>					
Net pension liability					
OPERS	\$ 1,194,573	\$ 601,813	\$ -	\$ 1,796,386	\$ -
OP&F	4,203,909	1,433,865	-	5,637,774	-
Total net pension liability	<u>5,398,482</u>	<u>2,035,678</u>	<u>-</u>	<u>7,434,160</u>	<u>-</u>
Net OPEB liability					
OPERS	772,381	23,916	-	796,297	-
OP&F	3,880,887	-	3,251,917	628,970	-
Total net OPEB liability	<u>4,653,268</u>	<u>23,916</u>	<u>3,251,917</u>	<u>1,425,267</u>	<u>-</u>
911 system improvement note	27,416	-	5,471	21,945	5,471
OPWC loans	414,529	363,545	32,712	745,362	32,712
Capital leases	115,007	69,565	68,287	116,285	43,183
Accrued leave benefits	1,156,081	204,149	204,427	1,155,803	144,229
Total governmental activities	<u>\$ 11,764,783</u>	<u>\$ 2,696,853</u>	<u>\$ 3,562,814</u>	<u>\$ 10,898,822</u>	<u>\$ 225,595</u>

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

NOTE 10 LONG-TERM DEBT (continued)

	Balance January 1	Additions	Reductions	Balance December 31	Due in One Year
<u>Business-type activities</u>					
General obligation bonds					
Storm water improvement					
1.00% - 3.70%					
through 2021	\$ 355,000	\$ -	\$ 115,000	\$ 240,000	\$ 115,000
Premium	(4,077)	-	(1,359)	(2,718)	-
Total general obligation bonds	<u>350,923</u>	<u>-</u>	<u>113,641</u>	<u>237,282</u>	<u>115,000</u>
Net pension liability - OPERS					
Water	156,611	321,410	-	478,021	-
Sewer	249,911	380,346	-	630,257	-
Storm Water	64,977	75,080	-	140,057	-
Total net pension liability	<u>471,499</u>	<u>776,836</u>	<u>-</u>	<u>1,248,335</u>	<u>-</u>
Net OPEB liability - OPERS					
Water	101,260	110,636	-	211,896	-
Sewer	161,586	117,793	-	279,379	-
Storm Water	42,012	20,072	-	62,084	-
Total net OPEB liability	<u>304,858</u>	<u>248,501</u>	<u>-</u>	<u>553,359</u>	<u>-</u>
OPWC loans	89,351	-	22,240	67,111	19,122
OWDA loans	844,217	1,255,938	67,091	2,033,064	88,841
Capital leases	833,481	-	57,013	776,468	59,021
Accrued leave benefits	65,070	27,172	-	92,242	-
Total business-type activities	<u>\$ 2,959,399</u>	<u>\$ 2,308,447</u>	<u>\$ 259,985</u>	<u>\$ 5,007,861</u>	<u>\$ 281,984</u>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for payment. The general obligation bonds are paid from Storm Water Fund revenues. Long-term notes payable are paid from the General Fund, Capital Improvements Fund, and the Water Fund. OPWC loan payments are paid from the General Fund and from the respective special revenue, capital project and enterprise funds. OWDA loan payments are paid from the Sewer Fund. Accrued leave benefits will be paid from the funds from which employees' wages are paid.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2019, excluding accrued leave benefits, are as follows:

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

NOTE 10 LONG-TERM DEBT (continued)

Governmental Activities			
911 System Improvement			
Year	Note Principal	OPWC Loans Principal	Total Principal
2020	\$ 5,471	\$ 32,712	\$ 38,183
2021	5,471	50,889	56,360
2022	11,003	50,889	61,892
2023	-	50,888	50,888
2024	-	50,890	50,890
2025-2029	-	242,002	242,002
2030-2034	-	158,025	158,025
2035-2039	-	90,885	90,885
2040-2044	-	18,182	18,182
	\$ 21,945	\$ 745,362	\$ 767,307

Business-Type Activities							
Year	General Obligation Bonds		OPWC Loans	OWDA Loan		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2020	\$ 115,000	\$ 8,650	\$ 19,122	\$ 88,841	\$ 29,418	\$ 222,963	\$ 38,068
2021	125,000	4,624	15,997	90,940	28,121	231,937	32,745
2022	-	-	15,997	93,092	26,798	109,089	26,798
2023	-	-	15,998	95,300	25,448	111,298	25,448
2024	-	-	-	97,568	24,069	97,568	24,069
2025-2029	-	-	-	523,989	98,687	523,989	98,687
2030-2034	-	-	-	590,375	59,803	590,375	59,803
2035-2037	-	-	-	452,959	18,127	452,959	18,127
	\$ 240,000	\$ 13,274	\$ 67,114	\$ 2,033,064	\$ 310,471	\$ 2,340,178	\$ 323,745

NOTE 11 CAPITAL LEASES

The City is obligated under certain leases accounted for as a capital leases. The leased assets are included in capital assets and the related obligations are included under long-term debt. At December 31, 2019, assets under capital lease totaled \$ 292,114 in governmental activities and \$ 993,150 in business-type activities, with related accumulated depreciation of \$ 44,818 and \$ 125,137, respectively. The leases are in effect until 2030. The following is the schedule of future minimum lease payments under the capital lease together with the net present value of the minimum lease payments as of December 31, 2019.

Year Ending December 31,	Governmental-type Activities	Business-type Activities
2020	\$ 47,577	\$ 85,609
2021	47,577	85,609
2022	15,248	85,609
2023	15,248	85,609
2024	-	85,609
2025-2029	-	428,044
2030	-	85,610
Total minimum lease payments	125,650	941,699
Less amount representing interest	(9,365)	(165,231)
Net present value of minimum lease payments	\$ 116,285	\$ 776,468

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

NOTE 12 OPERATING LEASES

The City is obligated under leases accounted for as operating leases. Total lease expense for the year ended December 31, 2019 was \$ 12,773. The following is a schedule of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2019.

Year ending December 31	Amount
2020	\$ 7,366
2021	5,488
2022	626
Total minimum payments	<u>\$ 13,480</u>

NOTE 13 DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.



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

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

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

Plan Description - City 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. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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.

CITY OF SHEFFIELD LAKE, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

	State and Local
2019 Statutory maximum contribution rates	
Employer	14.0%
Employee	10.0%
2019 Actual contribution rates	
Employer	
Pension	14.0%
Post-employment health care benefits	0.0%
Total employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$ 218,674 for 2019. Of this amount, \$ 25,760 is reported as due to other governments.

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

Plan Description - City 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](http://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. For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

	Police	Firefighters
2019 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2019 Actual contribution rates		
Employer		
Pension	19.00%	23.50%
Post-employment health care benefits	0.50%	0.50%
Total employer	19.50%	24.00%
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$ 355,212 for 2019. Of this amount \$ 48,329 is reported as due to other governments.

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,044,721	\$ 5,637,774	\$ 8,682,495
Pension expense	\$ 685,662	\$ 778,342	\$ 1,464,004
Proportion of the net pension liability			
Prior measurement date	0.0106200%	0.0684960%	
Current measurement date	0.0111170%	0.0690680%	
Change in proportionate share	<u>-0.0004970%</u>	<u>-0.0005720%</u>	

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Deferred outflows of resources			
Difference between expected and actual experience	\$ 140	\$ 231,634	\$ 231,774
Change in assumptions	265,049	149,465	414,514
Net difference between projected and actual earnings on pension plan investments	413,254	694,569	1,107,823
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	56,841	138,931	195,772
City contributions subsequent to the measurement date	218,674	355,212	573,886
Total deferred outflows of resources	<u>\$ 953,958</u>	<u>\$ 1,569,811</u>	<u>\$ 2,523,769</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 39,979	\$ 5,265	\$ 45,244
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	20,563	39,728	60,291
Total deferred inflows of resources	<u>\$ 60,542</u>	<u>\$ 44,993</u>	<u>\$ 105,535</u>

\$ 573,886 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 284,363	\$ 361,256	\$ 645,619
2021	159,848	207,275	367,123
2022	38,337	250,256	288,593
2023	192,194	330,369	522,563
2024	-	20,450	20,450
Total	<u>\$ 674,742</u>	<u>\$ 1,169,606</u>	<u>\$ 1,844,348</u>

E. ACTUARIAL ASSUMPTIONS – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Actuarial Cost	Individual Entry Age
Investment Rate of Return	7.2 percent
Wage Inflation	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent
	(includes wage inflation at 3.25 percent)
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple
	Post-1/7/2013 retirees: 3 percent, simple
	through 2018, then 2.15 percent simple

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00%	2.79%
Domestic equities	19.00%	6.21%
Real estate	10.00%	4.90%
Private equity	10.00%	10.81%
International equities	20.00%	7.83%
Other investments	18.00%	5.50%
Total	<u>100.00%</u>	<u>5.95%</u>

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 4,497,938	\$ 3,044,721	\$ 1,837,084

F- ACTUARIAL ASSUMPTIONS – OPF

The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Experience study assumptions were performed by OP&F's prior actuary and completed as of December 31, 2016. Changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful live of the participants which was 5.16 years at December 31, 2018.

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

F- ACTUARIAL ASSUMPTIONS – OPF (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumption	
Experience Study Date	5 year period ended December 31, 2016
Investment Rate of Return	8.00 percent
Cost of Living Increases	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3%
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%



CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

F- ACTUARIAL ASSUMPTIONS – OPF (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income *	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds *	17.00%	2.30%
Master Limited Partnerships	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	12.00%	6.10%
Total	<u>120.00%</u>	

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF SHEFFIELD LAKE, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

F- ACTUARIAL ASSUMPTIONS – OPF (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 7,410,465	\$ 5,637,774	\$ 4,156,434

NOTE 14 – DEFINED BENEFIT OPEB PLANS

A. NET OPEB LIABILITY

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

A. NET OPEB LIABILITY (continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

B. PLAN DESCRIPTION – 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.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

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

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0 percent during calendar year 2018. 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 for Member-Directed Plan health care accounts for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$ 0 for 2019.

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) 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. OP&F 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.

OP&F 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 OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 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.

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

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OP&F) (continued)

OP&F 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 OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contractually required contribution to OP&F was \$ 8,242 for 2019. Of this amount, \$ 1,117 is reported as an intergovernmental payable.

D. OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of January 1, 2018, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the net OPEB liability	\$ 1,349,656	\$ 628,970	\$ 1,978,626
OPEB expense	\$ 138,918	\$ (3,088,389)	\$ (2,949,471)
Proportion of the net OPEB liability			
Prior measurement date	0.0099200%	0.0684960%	
Current measurement date	<u>0.0103520%</u>	<u>0.0690680%</u>	
Change in proportionate share	<u>-0.0004320%</u>	<u>-0.0005720%</u>	

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

D. OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred outflows of resources			
Difference between expected and actual experience	\$ 457	\$ -	\$ 457
Change in assumptions	43,515	326,028	369,543
Net difference between projected and actual earnings on pension plan investments	61,874	21,291	83,165
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	29,834	37,075	66,909
City contributions subsequent to the measurement date	-	8,242	8,242
Total deferred outflows of resources	<u>\$ 135,680</u>	<u>\$ 392,636</u>	<u>\$ 528,316</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 3,662	\$ 16,851	\$ 20,513
Change in assumptions	-	174,129	174,129
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	553	-	553
Total deferred inflows of resources	<u>\$ 4,215</u>	<u>\$ 190,980</u>	<u>\$ 195,195</u>

\$ 8,242 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

December 31:	OPERS	OP&F	Total
2020	\$ 62,561	\$ 34,122	\$ 96,683
2021	27,092	34,122	61,214
2022	10,642	34,122	44,764
2023	31,170	40,561	71,731
2024	-	30,409	30,409
Thereafter	-	20,078	20,078
Total	<u>\$ 131,465</u>	<u>\$ 193,414</u>	<u>\$ 324,879</u>

CITY OF SHEFFIELD LAKE, OHIO  
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NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

E. ACTUARIAL ASSUMPTIONS - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Actuarial Cost Method	Individual Entry Age Normal
Single Discount Rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment Rate of Return	6.0 percent
Municipal Bond Rate	3.71 percent
Wage Inflation	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent
	(includes wage inflation at 3.25 percent)
Health Care Cost Trend Rate	10.0 percent initial, 3.25 percent ultimate in 2029

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and healthcare-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-term Expected Real Rate of Return (Arithmetic)
Fixed income	34.00%	2.42%
Domestic equities	21.00%	6.21%
Real estate investment trust	6.00%	5.98%
International equities	22.00%	7.83%
Other investments	17.00%	5.50%
Total	<u>100.00%</u>	<u>5.16%</u>

Discount Rate - A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.



CITY OF SHEFFIELD LAKE, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate -  
 The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City’s proportionate share of the net pension liability	\$ 1,726,714	\$ 1,349,656	\$ 1,049,796

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City’s proportionate share of the net pension liability	\$ 1,297,313	\$ 1,349,656	\$ 1,409,942

Changes between Measurement Date and Report Date - In October 2018, the OPERS Board voted to lower the investment return assumption for its health care investment portfolio from 6.5% to 6.0%.

F. ACTUARIAL ASSUMPTIONS – OP&F

OP&F’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OP&F (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumption	
Experience Study Date	5 year period ended December 31, 2016
Investment Rate of Return	OP&F OPEB long term rate is 8 percent
Cost of Living Increases	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3%
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

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

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OP&F (continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income *	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds *	17.00%	2.30%
Master Limited Partnerships	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	12.00%	6.10%
Total	120.00%	

Note: Assumptions are geometric

\* levered 2x

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

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OP&F (continued)

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City’s proportionate share of the net pension liability	\$ 766,257	\$ 628,970	\$ 513,729

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The net OPEB liability for OP&F is sensitive to changes in the healthcare cost trend rate because it is based on a medical benefit that is a flat dollar amount.

Changes Since Prior Measurement Date and to Report Date - Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

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

NOTE 15 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. For the past several years, settled claims from these risks have not exceeded coverage.

NOTE 16 FEDERAL GRANTS AND ENTITLEMENTS

For the year ended December 31, 2019, the City recognized federal grants and entitlements. These programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2019.

NOTE 17 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2019 consisted of the following transfers from the General Fund:

Transfer from:	Transfer to:		
	Shoreway Capital Project Fund	Non-major Governmental Funds	Total
General Fund	\$ 210,892	\$ 88,247	\$ 299,139
Non-major Governmental Funds	-	85,000	85,000
Storm Water Fund	-	9,842	9,842
	\$ 210,892	\$ 183,089	\$ 393,981

The General Fund transfer to the Shoreway Capital Project Fund was made to account for payment on short term bond anticipation notes. The General Fund and Non-major governmental fund transfers to Non-major Governmental Funds were made to account for payment on short term bond anticipation notes. The transfer from the Storm Water Fund was made for payment on a capital lease.

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

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

A. LORAIN COUNTY GENERAL HEALTH DISTRICT

The Lorain County General Health District, a jointly governed organization, provides health care services to the citizens within the Health District. The Health District is governed by the Board of Health which represents the area served by the Health District and oversees the operation of the Health District. The Board of Health members are appointed to staggered four year terms. One member is appointed by the City of North Ridgeville, one member is jointly appointed by the Cities of Avon and Sheffield Lake and one member is appointed jointly by the Cities of Amherst and Oberlin. The remaining four members are appointed by the various mayors of villages, chairmen of the township trustees and the County Commissioners. Financial information can be obtained by contacting the Health Commissioner, 9880 S. Murray Ridge Road, Elyria, Ohio 44035.

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2019. Financial information can be obtained by contacting the Chuck Keiper, Executive Director, 31320 Solon Road, Suite 33, Solon, Ohio 44139.

NOTE 19 CONTINGENCIES

The City is defendant in certain lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position.

NOTE 20 COMPLIANCE AND ACCOUNTABILITY

The Roads Income Tax Fund and Capital Improvement Fund had deficit fund balances of \$ 202,567 and \$ 174,000, respectively. Not apparent in the basic financial statements is a deficit fund balance in the Bond Construction Fund of \$ 257,500. All of these deficits result from reflecting short-term tax anticipation and bond anticipation notes on the modified accrual basis.

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

NOTE 21 PROPERTY ON LEASE TO OTHERS

The City leases building space in the Shoreway Shopping Center to various commercial enterprises. The leases in effect as of December 31, 2019 have varying lease terms through 2024. All leases include renewal options that are not reflected in the amounts noted here. The Shoreway Shopping Center is accounted for as property held for resale at a cost of \$ 4,407,888. Rental income from the leases totaled \$ 431,500 during the year ended December 31, 2019. Future minimum rentals to be received under these leases as of December 31, 2019 are as follows:

Year ending December 31	Amount
2020	\$ 371,977
2021	334,397
2022	318,947
2023	246,641
2024	95,294
	<u>\$ 1,367,256</u>

NOTE 22 SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION



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CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN

LAST SIX YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.0111170%	0.0106200%	0.0110200%	0.0108490%
City's proportionate share of the net pension liability	\$ 3,044,721	\$ 1,666,072	\$ 2,502,455	\$ 1,878,800
City's covered payroll	\$ 1,498,635	\$ 1,404,869	\$ 1,473,055	\$ 1,353,132
City's proportionate share of the net pension liability as a percentage of its covered payroll	203.17%	118.59%	169.88%	138.85%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%

(1) Information prior to 2013 is not available

Amounts presented as of the City's measurement date, which is the prior fiscal year end.

See notes to required supplementary information.

<u>2015</u>	<u>2014</u>
0.011403%	0.011403%
\$ 1,375,015	\$ 1,344,179
\$ 1,400,930	\$ 1,332,876
98.15%	100.85%
86.45%	86.36%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO POLICE AND FIRE PENSION FUND

LAST SIX YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.0690680%	0.0684960%	0.0679970%	0.0647790%
City's proportionate share of the net pension liability	\$ 5,637,774	\$ 4,203,909	\$ 4,306,862	\$ 4,167,279
City's covered payroll	\$ 1,525,515	\$ 1,462,407	\$ 1,422,505	\$ 1,302,997
City's proportionate share of the net pension liability as a percentage of its covered payroll	369.57%	287.47%	302.77%	319.82%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%

(1) Information prior to 2013 is not available

(2) The City's Proportionate Share of the Net Pension Liability for 2014 has changed due to a restatement by the Ohio Police and Fire Pension Fund.

Amounts presented as of the City's measurement date, which is the prior fiscal year end.

See notes to required supplementary information.

<u>2015</u>	<u>2014</u>
0.0668390%	0.0668390%
\$ 3,547,890	\$ 3,255,269
\$ 1,250,429	\$ 1,311,619
283.73%	248.19%
71.71%	73.00%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS - PENSION  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN

LAST SEVEN YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 218,674	\$ 209,809	\$ 182,633	\$ 176,766
Contributions in relation to the contractually required contributions	<u>(218,674)</u>	<u>(209,809)</u>	<u>(182,633)</u>	<u>(176,766)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,561,955	\$ 1,498,635	\$ 1,404,869	\$ 1,473,055
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%

(1) Information prior to 2013 is not available

See notes to required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 162,376	\$ 168,112	\$ 173,274
<u>(162,376)</u>	<u>(168,112)</u>	<u>(173,274)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,353,132	\$ 1,400,930	\$ 1,332,876
12.00%	12.00%	13.00%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS - PENSION  
OHIO POLICE AND FIRE PENSION FUND

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 355,212	\$ 330,756	\$ 316,853	\$ 309,671
Contributions in relation to the contractually required contributions	<u>(355,212)</u>	<u>(330,756)</u>	<u>(316,853)</u>	<u>(309,671)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,648,341	\$ 1,525,515	\$ 1,462,407	\$ 1,422,505
Contributions as a percentage of covered payroll	21.55%	21.68%	21.67%	21.77%

See notes to required supplementary information.



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 284,869	\$ 274,427	\$ 205,354	\$ 227,286	\$ 220,550	\$ 211,219
<u>(284,869)</u>	<u>(274,427)</u>	<u>(205,354)</u>	<u>(227,286)</u>	<u>(220,550)</u>	<u>(211,219)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,302,997	\$ 1,250,429	\$ 1,311,619	\$ 1,464,683	\$ 1,426,637	\$ 1,371,051
21.86%	21.95%	15.66%	15.52%	15.46%	15.41%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN

LAST THREE YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.0103520%	0.0099200%	0.0102714%
City's proportionate share of the net OPEB liability	\$ 1,349,656	\$ 1,077,239	\$ 1,001,954
City's covered payroll	\$ 1,498,635	\$ 1,404,869	\$ 1,473,055
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	90.06%	76.68%	68.02%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.04%

(1) This schedule is intended to reflect information for ten year, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date, which is the prior fiscal year end.

See notes to required supplementary information.

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
OHIO POLICE AND FIRE PENSION FUND

LAST THREE YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.0690680%	0.0684960%	0.0679970%
City's proportionate share of the net OPEB liability	\$ 628,970	\$ 3,880,887	\$ 3,227,665
City's covered payroll	\$ 1,525,515	\$ 1,462,407	\$ 1,422,505
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	41.23%	265.38%	226.90%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	15.96%

(1) This schedule is intended to reflect information for ten year, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date, which is the prior fiscal year end.

See notes to required supplementary information.

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN

LAST FOUR YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ 14,049	\$ 29,461
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>(14,049)</u>	<u>(29,461)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,561,955	\$ 1,498,635	\$ 1,404,869	\$ 1,473,055
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans, therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See notes to required supplementary information.

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CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB  
OHIO POLICE AND FIRE PENSION FUND

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 8,242	\$ 7,628	\$ 7,312	\$ 7,098
Contributions in relation to the contractually required contributions	<u>(8,242)</u>	<u>(7,628)</u>	<u>(7,312)</u>	<u>(7,098)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,648,341	\$ 1,525,515	\$ 1,462,407	\$ 1,422,505
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

See notes to required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 6,515	\$ 6,252	\$ 47,602	\$ 98,866	\$ 96,298	\$ 92,546
<u>(6,515)</u>	<u>(6,252)</u>	<u>(47,602)</u>	<u>(98,866)</u>	<u>(96,298)</u>	<u>(92,546)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,302,997	\$ 1,250,429	\$ 1,311,619	\$ 1,464,683	\$ 1,426,637	\$ 1,371,051
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

NOTE 1 PENSIONS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) –

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

For 2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

B. OHIO POLICE AND FIRE PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) reduction in actuarial assumed rate of return from 8.25% to 8.00% (b) decrease salary increases from 3.75% to 3.25% (c) change in payroll growth from 3.75% to 3.25% (d) reduce DROP interest rate from 4.5% to 4.0% (e) reduce CPI-based COLA from 2.6% to 2.2% (f) Inflation component reduced from 3.25% to 2.75%

For 2019: There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

NOTE 2 OPEB

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) –

Changes in benefit terms: For 2019, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

For 2019, OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

B. OHIO POLICE AND FIRE PENSION FUND

Changes in benefit terms: For 2018, the single discount rate changed from 3.79% to 3.24%.

For 2019, see below regarding the change to stipend-based model.

Changes in assumptions: For 2018, there were no changes in benefit terms.

Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%

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# OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

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

City of Sheffield Lake  
Lorain County  
609 Harris Road  
Sheffield Lake, Ohio 44054

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 4, 2020.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City'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 City'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 City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

August 4, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF SHEFFIELD LAKE**

**LORAIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/20/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)