



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF SHEFFIELD LAKE  
LORAIN COUNTY  
DECEMBER 31, 2021**

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**CITY OF SHEFFIELD LAKE  
LORAIN COUNTY  
DECEMBER 31, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited 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, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 18, 2022

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CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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, 2021. 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 2021 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 \$ 21,174,879 (net position).

Total net position increased by \$ 188,310. Net position of governmental activities decreased \$ 721,746 from 2020. Net position of business-type activities increased \$ 910,056 from 2020.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 4,391,285, a decrease of \$ 1,332,201 in comparison with the prior year. Approximately 24.4 percent of this amount, \$ 1,073,280 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 \$ 1,073,280 or 16.5 percent of total General Fund expenditures.

The City's total long-term debt obligations increased by \$ 126,808 (2.7 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, 2021

***Fund Financial Statements***

Governmental fund financial statements focus on the City's most significant, or major funds. The City's major governmental fund is the General 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, 2021 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, 2021

**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 2021 compared to 2020.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 10,051,970	\$ 13,447,997	\$ 2,239,947	\$ 1,914,749	\$ 12,291,917	\$ 15,362,746
Capital assets, net	16,340,609	15,981,566	9,252,760	9,392,505	25,593,369	25,374,071
<b>Total assets</b>	<u>26,392,579</u>	<u>29,429,563</u>	<u>11,492,707</u>	<u>11,307,254</u>	<u>37,885,286</u>	<u>40,736,817</u>
<b>Deferred outflow s of resources</b>						
Pension	1,056,116	1,072,803	120,756	149,276	1,176,872	1,222,079
OPEB	548,664	600,854	52,001	97,510	600,665	698,364
<b>Total deferred outflow s of resources</b>	<u>1,604,780</u>	<u>1,673,657</u>	<u>172,757</u>	<u>246,786</u>	<u>1,777,537</u>	<u>1,920,443</u>
<b>Liabilities</b>						
Current liabilities	934,267	3,376,939	101,547	181,772	1,035,814	3,558,711
Long-term liabilities						
Due w ithin one year	828,912	277,976	202,877	316,186	1,031,789	594,162
Due in more than one year						
Net pension liability	5,903,901	6,040,477	668,721	867,368	6,572,622	6,907,845
Net OPEB liability	761,688	1,549,719	-	577,281	761,688	2,127,000
Other amounts	2,114,509	2,113,118	3,139,015	3,216,746	5,253,524	5,329,864
<b>Total liabilities</b>	<u>10,543,277</u>	<u>13,358,229</u>	<u>4,112,160</u>	<u>5,159,353</u>	<u>14,655,437</u>	<u>18,517,582</u>
<b>Deferred inflow s of resources</b>						
Property taxes	1,804,700	1,708,000	-	-	1,804,700	1,708,000
Pension	871,666	787,028	293,052	196,516	1,164,718	983,544
OPEB	628,002	378,503	235,087	83,062	863,089	461,565
<b>Total deferred inflow s of resources</b>	<u>3,304,368</u>	<u>2,873,531</u>	<u>528,139</u>	<u>279,578</u>	<u>3,832,507</u>	<u>3,153,109</u>
<b>Net position</b>						
Net investment in capital assets	13,818,997	14,150,676	5,995,799	5,944,268	19,814,796	20,094,944
Restricted	3,445,355	3,241,422	-	-	3,445,355	3,241,422
Unrestricted	(3,114,638)	(2,520,638)	1,029,366	170,841	(2,085,272)	(2,349,797)
<b>Total net position</b>	<u>\$ 14,149,714</u>	<u>\$ 14,871,460</u>	<u>\$ 7,025,165</u>	<u>\$ 6,115,109</u>	<u>\$ 21,174,879</u>	<u>\$ 20,986,569</u>

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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 decreased by \$ 2,851,531 to \$ 37,885,286; current and other assets decreased by \$ 3,070,829 to \$ 12,291,917, while net capital assets increased by \$ 219,298. The decrease in current and other assets was the result of the sale of a portion of the Shoreway Shopping Center.

Current liabilities decreased by \$ 2,522,897 to \$ 1,035,814 primarily due to a decrease in notes payable. Long-term liabilities decreased by \$ 1,339,248 to \$ 13,619,623, primarily due to a decrease in net OPEB liability.

Total net position increased by \$ 188,310 to \$ 21,174,879 with governmental net position comprising \$ 14,149,714 and business-type net position comprising \$ 7,025,165 of that amount.

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

**Analysis of Changes in Net Position**

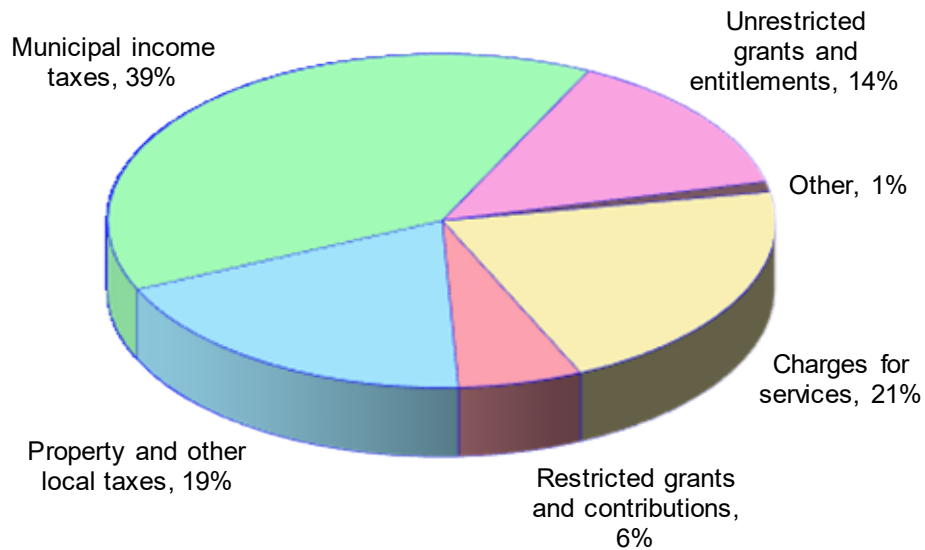
To understand what makes up changes in net position, following are results of activities for the current year compared to the prior year.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues						
Charges for services and sales	\$ 2,033,689	\$ 1,990,238	\$ 2,777,655	\$ 2,799,659	\$ 4,811,344	\$ 4,789,897
Operating grants, interest and contributions	487,816	713,065	-	-	487,816	713,065
Capital grants and contributions	40,500	610,467	-	322,336	40,500	932,803
Total program revenues	<u>2,562,005</u>	<u>3,313,770</u>	<u>2,777,655</u>	<u>3,121,995</u>	<u>5,339,660</u>	<u>6,435,765</u>
General revenues						
Property and other local taxes	1,800,617	1,698,776	-	-	1,800,617	1,698,776
Municipal income taxes	3,709,586	3,060,497	-	-	3,709,586	3,060,497
Unrestricted grants and entitlements	1,359,492	1,093,030	-	-	1,359,492	1,093,030
Other	101,300	273,319	-	-	101,300	273,319
Total general revenues	<u>6,970,995</u>	<u>6,125,622</u>	<u>-</u>	<u>-</u>	<u>6,970,995</u>	<u>6,125,622</u>
Total revenues	<u>9,533,000</u>	<u>9,439,392</u>	<u>2,777,655</u>	<u>3,121,995</u>	<u>12,310,655</u>	<u>12,561,387</u>
<b>Program expenses</b>						
Security of persons and property	4,103,248	4,103,220	-	-	4,103,248	4,103,220
Public health and welfare	-	36,993	-	-	-	36,993
Leisure time activities	685,307	803,154	-	-	685,307	803,154
Community environment	102,226	204,324	-	-	102,226	204,324
Basic utility services	883,193	872,209	-	-	883,193	872,209
Transportation	820,006	697,983	-	-	820,006	697,983
General government	1,710,024	1,308,438	-	-	1,710,024	1,308,438
Interest	189,056	138,154	-	-	189,056	138,154
Water	-	-	792,696	1,039,088	792,696	1,039,088
Sewer	-	-	817,287	1,158,148	817,287	1,158,148
Storm water	-	-	253,804	300,240	253,804	300,240
Total program expenses	<u>8,493,060</u>	<u>8,164,475</u>	<u>1,863,787</u>	<u>2,497,476</u>	<u>10,356,847</u>	<u>10,661,951</u>
Change in net position before special item and transfers	1,039,940	1,274,917	913,868	624,519	1,953,808	1,899,436
Special item	(1,765,498)	-	-	-	(1,765,498)	-
Transfers	3,812	3,812	(3,812)	(3,812)	-	-
Change in net position	(721,746)	1,278,729	910,056	620,707	188,310	1,899,436
Net position, beginning of year	<u>14,871,460</u>	<u>13,592,731</u>	<u>6,115,109</u>	<u>5,494,402</u>	<u>20,986,569</u>	<u>19,087,133</u>
Net position, end of year	<u>\$ 14,149,714</u>	<u>\$ 14,871,460</u>	<u>\$ 7,025,165</u>	<u>\$ 6,115,109</u>	<u>\$ 21,174,879</u>	<u>\$ 20,986,569</u>

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)

**Governmental activities**

Revenues by source of governmental activities for 2021 were comprised of:

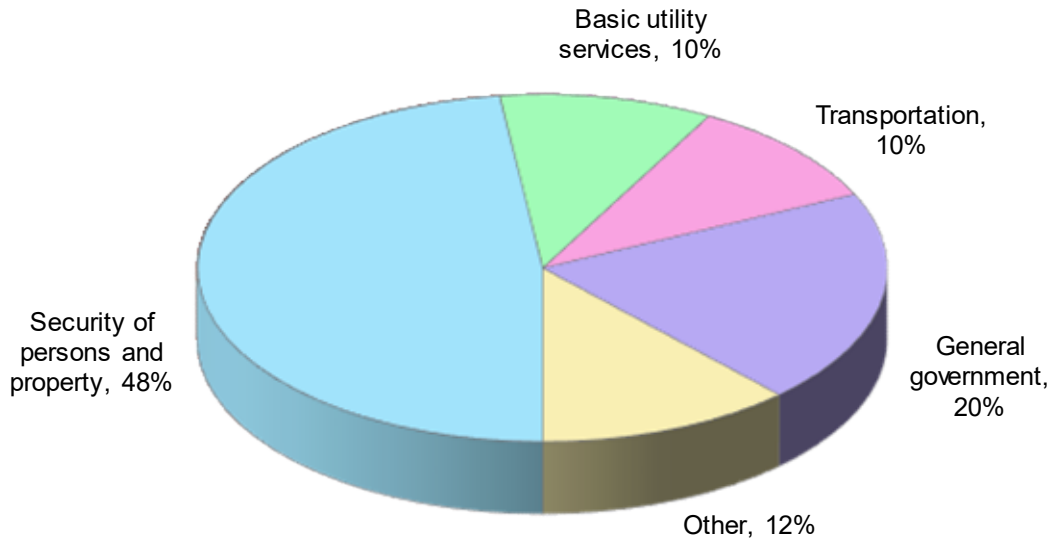


**Revenues**

For 2021, municipal income taxes, representing 39 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 19 percent, 21 percent, and 14 percent respectively.

CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Program expenses of governmental activities for 2021 were comprised of:



Program expenses

Program expenses amounted to \$ 8,493,060 in 2021, of which \$ 2,562,005 was supported by program revenue.

Governmental activities expenses increased \$ 328,585 or 4 percent in 2021, mainly due to the net effect of the changes in OPEB plan expense. The OPEB expense was (\$ 592,439) in 2021 compared to \$ 189,987 in 2020.

Security of persons and property, which includes police, fire and paramedic services, represented \$ 4,103,248 or 48 percent of total program expenses. Basic utilities services of \$ 883,193 or 10 percent includes refuse collections. Transportation, which includes street maintenance and snow removal, represented \$ 820,006 or 10 percent of program expenses. General government represented \$ 1,710,024 or 20 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 community environment, leisure time activities, including recreation activities and maintenance of the City's park system, and interest amounted to \$ 976,589 or 12 percent.



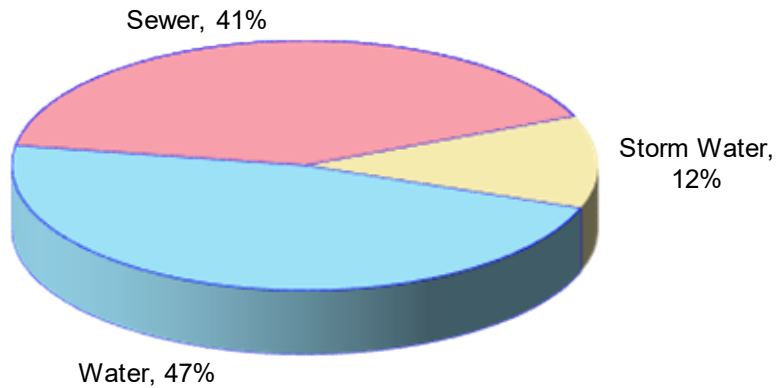
CITY OF SHEFFIELD LAKE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)

**Business-type activities**

Revenues

Charges for services represented 100 percent of total revenues for business-type activities in 2021. Revenues for business-type activities for 2021 were comprised of:

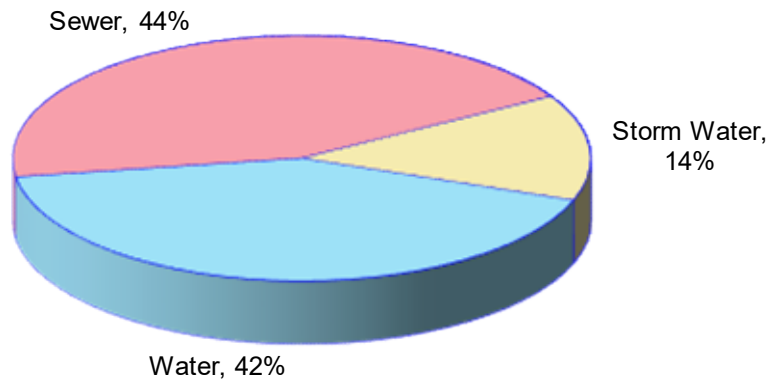
**Revenue, Business-type Activities**



Expenses

Water operations expenses amounted to \$ 792,696 or 42 percent. Sanitary sewer operations expenses amounted to \$ 817,287 or 44 percent of total program expenses and storm water operation expenses amounted to \$ 253,804 or 14 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, 2021

**The City's Funds**

The City's governmental funds financial information begins at page 20. Total assets of governmental funds decreased by \$ 3,511,283, primarily due to the sale of a portion of an asset held for resale (Shoreway Shopping Center). Total liabilities of governmental funds decreased by \$ 2,304,466, primarily due to the reduction in notes payable. Deferred inflows of resources increased by \$ 125,384. Governmental total fund balances decreased by \$ 1,332,201 to \$ 4,391,285 at year-end 2021. Total governmental funds revenues decreased by \$ 304,071 in 2021, while total expenditures increased by \$ 700,050. Total other financing sources (uses) decreased by \$ 125,000 to \$ 428,812. The sale of a portion of Shoreway Shopping Center resulted in a loss of \$ 1,765,498 reported as a special item in the governmental funds.

The City's major governmental funds in 2021 consisted of the General Fund. General Fund revenues were \$ 162,831 or 2.5 percent lower in 2021 than 2020. General Fund total expenditures increased by \$ 1,336,885 or 25.8 percent. General Fund net other financing sources (uses) and special item reported a net change from (\$ 259,944) in 2020 to (\$ 976,482) in 2021. Accordingly, the General Fund balance decreased by \$ 1,153,899 to \$ 2,988,239 at year-end 2021.

The City's proprietary funds information begins at page 25. The Water Fund, Sewer Fund and Storm Water Fund net position increased by \$ 496,783, \$ 331,979 and \$ 81,294 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 for the General Fund were \$ 4,863,254 and final budgeted receipts were \$ 6,871,275. Original appropriations were \$ 6,943,646 and final appropriations were \$ 9,314,237. The City actually expended \$ 8,091,962 which was \$ 1,222,275 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, 2021

**Capital Assets**

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

	Governmental Activities		Business type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 511,424	\$ 511,424	\$ 153,910	\$ 153,910	\$ 665,334	\$ 665,334
Construction in progress	1,925,581	3,177,209	18,334	968,625	1,943,915	4,145,834
Buildings and improvements	3,450,778	2,881,468	89,586	92,300	3,540,364	2,973,768
Equipment and vehicles	1,625,137	1,636,703	1,098,301	1,017,566	2,723,438	2,654,269
Infrastructure	8,827,689	7,774,762	7,892,629	7,160,104	16,720,318	14,934,866
	<u>\$ 16,340,609</u>	<u>\$ 15,981,566</u>	<u>\$ 9,252,760</u>	<u>\$ 9,392,505</u>	<u>\$ 25,593,369</u>	<u>\$ 25,374,071</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 \$ 16,340,609 at December 31, 2021, which was \$ 359,043 higher than the previous year. Business-type capital assets, net of depreciation, decreased by \$ 139,745 to \$ 9,252,760. 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	
	2021	2020	2021	2020	2021	2020
Notes payable	\$ 436,003	\$ 16,474	\$ -	\$ -	\$ 436,003	\$ 16,474
OPWC loans	1,041,277	1,099,409	217,480	239,931	1,258,757	1,339,340
OWDA loan	-	-	2,383,132	2,365,859	2,383,132	2,365,859
General obligation bonds	-	-	-	123,641	-	123,641
Capital leases	28,430	73,102	656,349	717,447	684,779	790,549
	<u>\$ 1,505,710</u>	<u>\$ 1,188,985</u>	<u>\$ 3,256,961</u>	<u>\$ 3,446,878</u>	<u>\$ 4,762,671</u>	<u>\$ 4,635,863</u>

As of December 31, 2021, the City had long-term debt obligations, excluding accrued leave benefits and net pension/OPEB liability, of \$ 4,762,671, with \$ 710,897 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, 2021

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

With the sale of a major portion of the Shoreway Shopping Center in 2021, to investors with many forward-thinking ideas, we anticipate a flourish of improvements to our central shopping area. The balance of the Shoreway property which was retained from the 2021 sale, including the bowling alley and remaining parcels east of Community Road, has seen interest from several investors as well. In continuation of several biking and walking trails throughout the city, work has been started on our Lincoln Trail section which will run from Lake Road to Oster Road just east of Treadway Blvd. and is scheduled for completion in 2022. Vibrant parks and trails bring a welcome addition to our city landscape; providing recreation areas that can be enjoyed by our residents and visitors. In 2020 the city was awarded a grant from the Ohio Department of Natural Resources (ODNR) for improvement to our Day Ditch at the City's southern border, of which, Phase II was completed in 2021. This improvement will ensure that this public watercourse allows for proper drainage and water flow for years to come. The administration, with the support of City Council, is currently working on 2022 and 2023 improvements with repair and upgrades to several areas and roads within the corporation limits. Lake Road resurfacing is scheduled for 2022 which will include upgraded and renewed underground infrastructure. Conservative budgeting for the near future will assure that the city will be in a position to react to possible unforeseen issues and the annual budget will continue to be monitored efficiently and consistently throughout the year. The Mayor, with the assistance of the Finance Director, reports to City Council on the planning of future budgets and looks forward to providing our citizens with a safer and more enjoyable community.

**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, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in pooled cash	\$ 3,796,460	\$ 1,723,726	\$ 5,520,186
Accounts and other receivable	230,644	411,810	642,454
Due from other governments	797,024	200	797,224
Inventories and supplies	32,504	-	32,504
Prepaid expenses	71,962	6,100	78,062
Income taxes receivable	2,078,300	-	2,078,300
Property taxes receivable	2,136,400	-	2,136,400
Special assessments receivable	-	21,275	21,275
Net OPEB asset	115,256	76,836	192,092
Property held for resale	793,420	-	793,420
Capital assets			
Nondepreciable capital assets	2,437,005	172,244	2,609,249
Depreciable capital assets, net	13,903,604	9,080,516	22,984,120
<b>Total assets</b>	<b>26,392,579</b>	<b>11,492,707</b>	<b>37,885,286</b>
<b>Deferred outflow s of resources</b>			
Pension	1,056,116	120,756	1,176,872
OPEB	548,664	52,001	600,665
<b>Total deferred outflow s of resources</b>	<b>1,604,780</b>	<b>172,757</b>	<b>1,777,537</b>
<b>Liabilities</b>			
Accounts and contracts payable	197,540	77,938	275,478
Accrued w ages and benefits	57,920	8,851	66,771
Accrued interest payable	6,100	5,700	11,800
Due to other governments	70,802	9,058	79,860
Notes payable	601,905	-	601,905
Long term liabilities			
Due w ithin one year	828,912	202,877	1,031,789
Due in more than one year			
Net pension liability	5,903,901	668,721	6,572,622
Net OPEB liability	761,688	-	761,688
Other amounts	2,114,509	3,139,015	5,253,524
<b>Total liabilities</b>	<b>10,543,277</b>	<b>4,112,160</b>	<b>14,655,437</b>
<b>Deferred inflow s of resources</b>			
Property taxes	1,804,700	-	1,804,700
Pension	871,666	293,052	1,164,718
OPEB	628,002	235,087	863,089
<b>Total deferred inflow s of resources</b>	<b>3,304,368</b>	<b>528,139</b>	<b>3,832,507</b>
<b>Net position</b>			
Net investment in capital assets	13,818,997	5,995,799	19,814,796
Restricted for:			
Debt service	30,714	-	30,714
Capital projects	1,328,342	-	1,328,342
Highw ays and streets	1,315,471	-	1,315,471
Public safety	272,103	-	272,103
Recreation	116,327	-	116,327
Community environment	361,165	-	361,165
Other purposes	21,233	-	21,233
Unrestricted	(3,114,638)	1,029,366	(2,085,272)
<b>Total net position</b>	<b>\$ 14,149,714</b>	<b>\$ 7,025,165</b>	<b>\$ 21,174,879</b>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
Security of persons and property	\$ 4,103,248	\$ 374,842	\$ 478,395	\$ -
Leisure time activities	685,307	27,520	-	-
Community environment	102,226	-	-	-
Basic utility services	883,193	997,728	-	-
Transportation	820,006	11,527	-	-
General government	1,710,024	622,072	9,421	40,500
Interest	189,056	-	-	-
<b>Total governmental activities</b>	<b>8,493,060</b>	<b>2,033,689</b>	<b>487,816</b>	<b>40,500</b>
<b>Business-type activities:</b>				
Water	792,696	1,289,479	-	-
Sewer	817,287	1,149,266	-	-
Storm Water	253,804	338,910	-	-
<b>Total business-type activities</b>	<b>1,863,787</b>	<b>2,777,655</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 10,356,847</b>	<b>\$ 4,811,344</b>	<b>\$ 487,816</b>	<b>\$ 40,500</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

Special item - loss on sale of asset held for resale

Transfers

Total general revenues, special item and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,250,011)	\$ -	\$ (3,250,011)
(657,787)	-	(657,787)
(102,226)	-	(102,226)
114,535	-	114,535
(808,479)	-	(808,479)
(1,038,031)	-	(1,038,031)
(189,056)	-	(189,056)
<u>(5,931,055)</u>	<u>-</u>	<u>(5,931,055)</u>
-	496,783	496,783
-	331,979	331,979
-	85,106	85,106
<u>-</u>	<u>913,868</u>	<u>913,868</u>
<u>(5,931,055)</u>	<u>913,868</u>	<u>(5,017,187)</u>
383,864	-	383,864
88,193	-	88,193
1,328,560	-	1,328,560
3,240,840	-	3,240,840
468,746	-	468,746
1,359,492	-	1,359,492
4,313	-	4,313
96,987	-	96,987
<u>6,970,995</u>	<u>-</u>	<u>6,970,995</u>
(1,765,498)	-	(1,765,498)
3,812	(3,812)	-
<u>5,209,309</u>	<u>(3,812)</u>	<u>5,205,497</u>
(721,746)	910,056	188,310
14,871,460	6,115,109	20,986,569
<u>\$ 14,149,714</u>	<u>\$ 7,025,165</u>	<u>\$ 21,174,879</u>

CITY OF SHEFFIELD LAKE, OHIO  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in pooled cash	\$ 2,702,322	\$ 1,094,138	\$ 3,796,460
Income taxes receivables	1,828,904	249,396	2,078,300
Property taxes receivable	495,800	1,640,600	2,136,400
Due from other governments	321,286	475,738	797,024
Accounts and other receivable	230,644	-	230,644
Inventories and supplies	8,079	24,425	32,504
Prepaid expenses	70,535	1,427	71,962
Property held for resale	-	793,420	793,420
<b>Total assets</b>	<b><u>\$ 5,657,570</u></b>	<b><u>\$ 4,279,144</u></b>	<b><u>\$ 9,936,714</u></b>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 185,499	\$ 12,041	\$ 197,540
Accrued wages and benefits	52,746	5,174	57,920
Accrued interest payable	-	2,600	2,600
Due to other governments	66,712	4,090	70,802
Notes payable	-	601,905	601,905
Accrued leave benefits	320,892	-	320,892
<b>Total liabilities</b>	<b><u>625,849</u></b>	<b><u>625,810</u></b>	<b><u>1,251,659</u></b>
<b>Deferred inflow s of resources</b>			
Property taxes levied for next year and unavailable resources	2,043,482	2,250,288	4,293,770
<b>Total deferred inflow s of resources</b>	<b><u>2,043,482</u></b>	<b><u>2,250,288</u></b>	<b><u>4,293,770</u></b>
<b>Fund balances</b>			
Nonspendable	78,614	417,472	496,086
Restricted	-	985,574	985,574
Assigned	1,836,345	-	1,836,345
Unassigned	1,073,280	-	1,073,280
<b>Total fund balances</b>	<b><u>2,988,239</u></b>	<b><u>1,403,046</u></b>	<b><u>4,391,285</u></b>
<b>Total liabilities, deferred inflow s of resources and fund balances</b>	<b><u>\$ 5,657,570</u></b>	<b><u>\$ 4,279,144</u></b>	<b><u>\$ 9,936,714</u></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, 2021

Total governmental funds balances		\$	4,391,285
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.			16,340,609
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	\$	331,700	
Accounts and other receivables		42,270	
Municipal income tax		1,532,400	
Intergovernmental		582,700	
Total		2,489,070	
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.			(3,500)
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		1,056,116	
Deferred inflow s - pension		(871,666)	
Net pension liability		(5,903,901)	
Deferred outflow s - OPEB		548,664	
Deferred inflow s - OPEB		(628,002)	
Net OPEB asset		115,256	
Net OPEB liability		(761,688)	
			(6,445,221)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes payable		(436,003)	
OPWC loans payable		(1,041,277)	
General obligation bonds			
Capital leases		(28,430)	
Accrued leave benefits		(1,116,819)	
		(2,622,529)	
Net position of governmental activities		\$	14,149,714

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, 2021

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and other local taxes	\$ 358,564	\$ 1,353,553	\$ 1,712,117
Municipal income taxes	3,298,857	495,029	3,793,886
Intergovernmental revenue	555,447	1,302,082	1,857,529
Charges for services	1,618,190	876	1,619,066
Fines, licenses, and permits	278,002	2,250	280,252
Interest	3,997	316	4,313
Miscellaneous	221,231	15,922	237,153
<b>Total revenues</b>	<b>6,334,288</b>	<b>3,170,028</b>	<b>9,504,316</b>
<b>Expenditures</b>			
<b>Current</b>			
Security of persons and property	2,636,207	1,447,475	4,083,682
Leisure time activities	385,581	444,241	829,822
Community environment	177,473	-	177,473
Basic utility services	843,620	-	843,620
Transportation	-	839,785	839,785
General government	1,642,463	2,697	1,645,160
Capital outlay	786,458	-	786,458
<b>Debt service</b>			
Note principal	5,471	-	5,471
OPWC loan principal	-	58,132	58,132
Capital lease principal	6,624	38,048	44,672
Interest and fiscal charges	27,808	157,748	185,556
<b>Total expenditures</b>	<b>6,511,705</b>	<b>2,988,126</b>	<b>9,499,831</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(177,417)</b>	<b>181,902</b>	<b>4,485</b>
<b>Other financing sources (uses)</b>			
Transfers-in	-	2,509,523	2,509,523
Note proceeds	-	425,000	425,000
Transfers-out	(2,365,711)	(140,000)	(2,505,711)
<b>Total other financing sources (uses)</b>	<b>(2,365,711)</b>	<b>2,794,523</b>	<b>428,812</b>
<b>Special item</b>			
Gain (loss) from sale of asset held for resale	1,389,229	(3,154,727)	(1,765,498)
<b>Net change in fund balance</b>	<b>(1,153,899)</b>	<b>(178,302)</b>	<b>(1,332,201)</b>
<b>Fund balances, beginning of year</b>	<b>4,142,138</b>	<b>1,581,348</b>	<b>5,723,486</b>
<b>Fund balances, end of year</b>	<b>\$ 2,988,239</b>	<b>\$ 1,403,046</b>	<b>\$ 4,391,285</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, 2021

Net change in fund balances - total governmental funds		\$ (1,332,201)
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	\$ 1,120,909
	Depreciation expense	<u>(761,866)</u>
		359,043
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
	Municipal income tax	(84,300)
	Property and other local taxes	88,500
	Miscellaneous	(5,795)
	Intergovernmental revenue	<u>30,279</u>
		28,684
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	(425,000)
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	58,132
	Capital lease principal paid	<u>44,672</u>
		108,275
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		
		(3,500)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
	Pension	539,420
	OPEB	<u>9,159</u>
		548,579
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	(504,169)
	OPEB	<u>592,439</u>
		88,270
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>(93,896)</u>
Change in net position of governmental activities		<u>\$ (721,746)</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, 2021

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Property and other local taxes	\$ 358,119	\$ 358,564	\$ 358,564	\$ -
Municipal income taxes	3,100,000	3,267,211	3,267,211	-
Intergovernmental revenue	112,300	390,088	390,088	-
Charges for services	291,025	308,073	310,153	2,080
Fines, licenses, and permits	327,734	168,732	168,813	81
Interest	89,000	3,829	3,997	168
Miscellaneous	585,076	644,778	525,808	(118,970)
<b>Total revenues</b>	<b>4,863,254</b>	<b>5,141,275</b>	<b>5,024,634</b>	<b>(116,641)</b>
<b>Expenditures</b>				
<b>Current</b>				
Security of persons and property	2,894,460	3,080,510	2,507,408	573,102
Leisure time activities	487,384	494,084	403,357	90,727
Community environment	209,660	216,660	176,022	40,638
General government	2,016,242	2,080,372	1,631,737	448,635
Capital outlay	916,800	1,044,800	1,002,107	42,693
<b>Debt service</b>				
Principal	370,000	2,348,711	2,331,711	17,000
Capital lease principal	7,000	7,000	3,812	3,188
Interest and fiscal charges	42,100	42,100	35,808	6,292
<b>Total expenditures</b>	<b>6,943,646</b>	<b>9,314,237</b>	<b>8,091,962</b>	<b>1,222,275</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,080,392)</b>	<b>(4,172,962)</b>	<b>(3,067,328)</b>	<b>1,105,634</b>
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	1,730,000	1,848,970	118,970
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,730,000</b>	<b>1,848,970</b>	<b>118,970</b>
<b>Net change in fund balance</b>	<b>(2,080,392)</b>	<b>(2,442,962)</b>	<b>(1,218,358)</b>	<b>1,224,604</b>
Prior year encumbrances	378,695	378,695	378,695	-
Fund balance, beginning of year	2,821,386	2,821,386	2,821,386	-
<b>Fund balance, end of year</b>	<b>\$ 1,119,689</b>	<b>\$ 757,119</b>	<b>\$ 1,981,723</b>	<b>\$ 1,224,604</b>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO  
STATEMENT OF FUND NET POSITION -  
PROPRIETARY FUNDS  
DECEMBER 31, 2021

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
<b>Assets</b>				
Current assets				
Equity in pooled cash	\$ 748,425	\$ 835,739	\$ 139,562	\$ 1,723,726
Accounts and other receivable	218,970	170,707	22,133	411,810
Due from other governments	100	100	-	200
Prepaid expenses	2,950	2,950	200	6,100
Total current assets	<u>970,445</u>	<u>1,009,496</u>	<u>161,895</u>	<u>2,141,836</u>
Noncurrent assets				
Special assessments receivable	-	-	21,275	21,275
Net OPEB asset	31,695	36,305	8,836	76,836
Nondepreciable capital assets	-	33,500	138,744	172,244
Depreciable capital assets, net	2,908,769	2,118,429	4,053,318	9,080,516
Total noncurrent assets	<u>2,940,464</u>	<u>2,188,234</u>	<u>4,222,173</u>	<u>9,350,871</u>
Total assets	<u>3,910,909</u>	<u>3,197,730</u>	<u>4,384,068</u>	<u>11,492,707</u>
Deferred outflow s of resources				
Pension	49,812	57,057	13,887	120,756
OPEB	21,450	24,571	5,980	52,001
Total deferred outflow s of resources	<u>71,262</u>	<u>81,628</u>	<u>19,867</u>	<u>172,757</u>
<b>Liabilities</b>				
Current				
Accounts and contracts payable	28,516	43,152	6,270	77,938
Accrued wages and benefits	3,845	3,878	1,128	8,851
Accrued interest payable	5,700	-	-	5,700
Due to other governments	4,141	4,146	771	9,058
OPWC loans payable	6,455	-	15,994	22,449
OWDA loans payable	56,987	60,192	-	117,179
Capital leases	63,249	-	-	63,249
Total current liabilities	<u>168,893</u>	<u>111,368</u>	<u>24,163</u>	<u>304,424</u>
Long-term liabilities				
OPWC loans payable	171,037	-	23,994	195,031
OWDA loans payable	1,149,438	1,116,515	-	2,265,953
Capital leases	593,100	-	-	593,100
Accrued leave benefits	41,659	41,659	1,613	84,931
Net pension liability	275,847	315,971	76,903	668,721
Total long-term liabilities	<u>2,231,081</u>	<u>1,474,145</u>	<u>102,510</u>	<u>3,807,736</u>
Total liabilities	<u>2,399,974</u>	<u>1,585,513</u>	<u>126,673</u>	<u>4,112,160</u>
Deferred inflow s of resources				
Pension	120,884	138,467	33,701	293,052
OPEB	96,973	111,079	27,035	235,087
Total deferred inflow s of resources	<u>217,857</u>	<u>249,546</u>	<u>60,736</u>	<u>528,139</u>
<b>Net position</b>				
Net investment in capital assets	868,503	975,222	4,152,074	5,995,799
Unrestricted	495,837	469,077	64,452	1,029,366
Total net position	<u>\$ 1,364,340</u>	<u>\$ 1,444,299</u>	<u>\$ 4,216,526</u>	<u>\$ 7,025,165</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, 2021

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues				
Charges for services	\$ 1,280,040	\$ 1,139,827	\$ 335,218	\$ 2,755,085
Miscellaneous	9,439	9,439	3,692	22,570
Total operating revenues	<u>1,289,479</u>	<u>1,149,266</u>	<u>338,910</u>	<u>2,777,655</u>
Operating expenses				
Personal services	157,518	93,764	47,274	298,556
Contractual services	446,198	548,520	2,688	997,406
Supplies and materials	31,390	27,817	11,457	70,664
Other operating	20,938	4,475	32,362	57,775
Depreciation	81,432	118,747	154,439	354,618
Total operating expenses	<u>737,476</u>	<u>793,323</u>	<u>248,220</u>	<u>1,779,019</u>
Operating income	<u>552,003</u>	<u>355,943</u>	<u>90,690</u>	<u>998,636</u>
Nonoperating (expenses)				
Interest and fiscal charges	<u>(55,220)</u>	<u>(23,964)</u>	<u>(5,584)</u>	<u>(84,768)</u>
Net nonoperating (expenses)	<u>(55,220)</u>	<u>(23,964)</u>	<u>(5,584)</u>	<u>(84,768)</u>
Income before transfers	496,783	331,979	85,106	913,868
Transfers out	<u>-</u>	<u>-</u>	<u>(3,812)</u>	<u>(3,812)</u>
Change in net position	496,783	331,979	81,294	910,056
Net position, beginning of year	<u>867,557</u>	<u>1,112,320</u>	<u>4,135,232</u>	<u>6,115,109</u>
Net position, end of year	<u>\$ 1,364,340</u>	<u>\$ 1,444,299</u>	<u>\$ 4,216,526</u>	<u>\$ 7,025,165</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, 2021

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,190,766	\$ 1,243,194	\$ 315,368	\$ 2,749,328
Cash paid to suppliers for materials and supplies	(34,787)	(28,433)	(11,457)	(74,677)
Cash paid for employee services and benefits	(358,558)	(365,924)	(102,971)	(827,453)
Cash paid for contractual services	(454,988)	(625,820)	(3,009)	(1,083,817)
Other operating revenues	9,469	9,469	3,681	22,619
Other operating expenses	(20,659)	(4,425)	(29,904)	(54,988)
Net cash provided by operating activities	<u>331,243</u>	<u>228,061</u>	<u>171,708</u>	<u>731,012</u>
Cash flows from capital and related financing activities:				
Special assessments	-	-	11,323	11,323
Payment on capital lease	(61,098)	-	-	(61,098)
OPWC loans payments	(6,454)	-	(15,997)	(22,451)
OWDA loan payment	(53,810)	(59,079)	-	(112,889)
Bond principal payments	-	-	(125,000)	(125,000)
Payment of interest and fiscal charges	(55,820)	(23,964)	(4,625)	(84,409)
Acquisition of fixed assets	(11,865)	(70,322)	(2,524)	(84,711)
Net cash (used in) capital and related financing activities	<u>(189,047)</u>	<u>(153,365)</u>	<u>(136,823)</u>	<u>(479,235)</u>
Net increase in equity in pooled cash	142,196	74,696	34,885	251,777
Equity in pooled cash, beginning of year	<u>606,229</u>	<u>761,043</u>	<u>104,677</u>	<u>1,471,949</u>
Equity in pooled cash, end of year	<u>\$ 748,425</u>	<u>\$ 835,739</u>	<u>\$ 139,562</u>	<u>\$ 1,723,726</u>
Non-cash capital and related financing transactions:				
Capital asset acquired through loan proceeds	<u>\$ 130,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,162</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, 2021  
(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 552,003	\$ 355,943	\$ 90,690	\$ 998,636
Adjustments:				
Depreciation	81,432	118,747	154,439	354,618
(Increase) decrease in assets:				
Accounts and other receivable	(89,244)	103,397	(19,850)	(5,697)
Prepaid expenses	(1,150)	(1,150)	100	(2,200)
Decrease in deferred outflow s of resources - pension	10,046	15,734	2,740	28,520
Decrease in deferred outflow s of resources - OPEB	17,651	22,977	4,881	45,509
Increase (decrease) in liabilities:				
Accounts and contracts payable	(12,039)	(77,998)	2,326	(87,711)
Accrued wages and benefits	817	850	278	1,945
Due to other governments	1,403	1,408	(93)	2,718
Accrued leave benefits	(286)	(286)	(551)	(1,123)
Net pension liability	(71,959)	(106,978)	(19,710)	(198,647)
Net OPEB liability (asset)	(263,179)	(317,801)	(73,137)	(654,117)
Increase in deferred inflow s of resources - pension	42,083	42,641	11,812	96,536
Increase in deferred inflow s of resources - OPEB	63,665	70,577	17,783	152,025
Net cash provided by operating activities	<u>\$ 331,243</u>	<u>\$ 228,061</u>	<u>\$ 171,708</u>	<u>\$ 731,012</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, 2021

	Custodial Fund
<b>Assets</b>	
Equity in pooled cash	\$ 5,232
Total assets	5,232
<b>Net position</b>	
Restricted for individuals and organizations	\$ 5,232
	Custodial Fund
<b>Additions</b>	
Rental deposits	\$ 10,045
Total additions	10,045
<b>Deductions</b>	
Refunds of deposits	7,825
Total deductions	7,825
Net decrease in fiduciary net position	2,220
Net position at beginning of year	3,012
Net position at end of year	\$ 5,232

See accompanying notes to the basic financial statements.

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CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

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 is the City's major governmental fund:

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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.

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, 2021

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, 2021

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, 2021, but which were levied to finance fiscal year 2022 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 21. 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, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

All funds, except custodial 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 \$ 3,997 of which \$ 1,616 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, 2021, 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 \$ 100 million or more. STAR Ohio reserves the right to limit the transactions to \$ 250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$ 250 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, 2021

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, 2021

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 \$ 3,170,355 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, 2021

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.

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

R. PENSIONS / OTHER POST EMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability(asset), 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. There were no extraordinary items during the year. The City had a special item transaction occur 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 PRINCIPLE

For 2021, the City implemented Governmental Accounting Standards Board (GASB ) Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated into the City's 2021 financial statements; however there was no effect on the financial statements of the City.

CITY OF SHEFFIELD LAKE, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2021

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.

	Net Change in Fund Balance
Budget basis	\$ (1,218,358)
Adjustments, increase (decrease)	
Revenue accruals	1,590,113
Sale of capital asset	(1,848,970)
Expenditure accruals	616,527
Encumbrances	(410,372)
Net change in fund balance for funds combined with the General Fund for GASB 54	117,161
GAAP basis, as reported	\$ (1,153,899)

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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 fund and all other governmental funds are presented below:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Inventories and supplies	\$ 8,079	\$ 24,425	\$ 32,504
Prepaid expenses	70,535	1,427	71,962
Shoreway capital project	-	391,620	391,620
Total nonspendable	<u>78,614</u>	<u>417,472</u>	<u>496,086</u>
Restricted for:			
Debt service	-	6,014	6,014
Capital projects	-	275,000	275,000
Highways and streets	-	577,026	577,026
Public safety	-	42,903	42,903
Recreation	-	16,427	16,427
Community environment	-	46,971	46,971
Other	-	21,233	21,233
Total restricted	<u>-</u>	<u>985,574</u>	<u>985,574</u>
Assigned for:			
Encumbrances	246,613	-	246,613
Next year's appropriations	1,275,538	-	1,275,538
Refuse services	314,194	-	314,194
Total assigned	<u>1,836,345</u>	<u>-</u>	<u>1,836,345</u>
Unassigned	<u>1,073,280</u>	<u>-</u>	<u>1,073,280</u>
Total fund balances	<u>\$2,988,239</u>	<u>\$ 1,403,046</u>	<u>\$4,391,285</u>

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

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 \$ 50,332 and the bank balance was \$ 596,316. Of the bank balance, \$ 250,000 was covered by federal depository insurance and \$ 346,316 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, 2021 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>51.3</u>	<u>\$ 5,474,886</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, 2021. 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, 2021

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, 2021 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 2021 for real and public utility property taxes represents collections of the 2020 taxes. Property tax payments received during 2021 for tangible personal property (other than public utility property) is for 2021 taxes.

2021 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2021.

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. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2021 was \$ 19.36 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2021 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	\$ 171,878,180
Commercial/industrial	21,165,700
Tangible personal property	
Public utilities	3,158,870
Total valuation	<u>\$ 196,202,750</u>

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021 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 2021 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	\$ 127,000
Gasoline tax	325,525
Permissive tax	51,177
Homestead and rollback	128,900
Ohio Department of Natural Resources Grant	161,212
Miscellaneous	3,210
Total governmental activities	797,024
Business-Type Activities	
Miscellaneous	200
Total business-type activities	200
Total due from other governments	\$ 797,224

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 CAPITAL ASSETS

A summary of changes in capital assets during 2021 follows:

	Balance January 1	Additions	Disposals	Balance December 31
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 511,424	\$ -	\$ -	\$ 511,424
Construction in progress	3,177,209	349,594	1,601,222	1,925,581
Total capital assets, not being depreciated	<u>3,688,633</u>	<u>349,594</u>	<u>1,601,222</u>	<u>2,437,005</u>
Capital assets, being depreciated				
Buildings and improvements	4,794,599	693,784	16,241	5,472,142
Equipment and vehicles	3,555,092	183,434	-	3,738,526
Infrastructure	39,812,011	1,508,474	-	41,320,485
Total capital assets being depreciated	<u>48,161,702</u>	<u>2,385,692</u>	<u>16,241</u>	<u>50,531,153</u>
Less accumulated depreciation				
Buildings and improvements	1,913,131	111,319	3,086	2,021,364
Equipment and vehicles	1,918,389	195,000	-	2,113,389
Infrastructure	32,037,249	455,547	-	32,492,796
Total accumulated depreciation	<u>35,868,769</u>	<u>761,866</u>	<u>3,086</u>	<u>36,627,549</u>
Total capital assets being depreciated, net	<u>12,292,933</u>	<u>1,623,826</u>	<u>13,155</u>	<u>13,903,604</u>
Total governmental capital assets, net	<u>\$ 15,981,566</u>	<u>\$ 1,973,420</u>	<u>\$ 1,614,377</u>	<u>\$ 16,340,609</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 153,910	\$ -	\$ -	\$ 153,910
Construction in progress	968,625	742	951,033	18,334
Total capital assets, not being depreciated	<u>1,122,535</u>	<u>742</u>	<u>951,033</u>	<u>172,244</u>
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	1,745,071	136,573	-	1,881,644
Infrastructure	13,646,534	1,028,591	-	14,675,125
Total capital assets being depreciated	<u>15,542,423</u>	<u>1,165,164</u>	<u>-</u>	<u>16,707,587</u>
Less accumulated depreciation				
Buildings and improvements	58,518	2,714	-	61,232
Equipment and vehicles	727,508	55,838	-	783,346
Infrastructure	6,486,427	296,066	-	6,782,493
Total accumulated depreciation	<u>7,272,453</u>	<u>354,618</u>	<u>-</u>	<u>7,627,071</u>
Total capital assets being depreciated, net	<u>8,269,970</u>	<u>810,546</u>	<u>-</u>	<u>9,080,516</u>
Total business-type capital assets, net	<u>\$ 9,392,505</u>	<u>\$ 811,288</u>	<u>\$ 951,033</u>	<u>\$ 9,252,760</u>

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$	117,436
Leisure time activities		92,528
Basic utility services		39,573
Transportation		473,473
General government		38,856
		\$ 761,866

NOTE 9 NOTES PAYABLE

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

	Balance January 1	Additions	Reductions	Balance December 31
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Shoreway Capital Project fund				
2.35% issued 10/23/20 due 10/22/21	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -
Various purpose				
2.25% issued 8/7/20 due 8/7/21	400,000	-	400,000	-
Shoreway Capital Project fund				
2.25% issued 10/20/21 due 10/21/22	-	400,000	-	400,000
Tax anticipation note				
Street improvements				
4.78% issued 4/12/07 due 4/1/27	241,905	-	40,000	201,905
	\$ 3,141,905	\$ 400,000	\$ 2,940,000	\$ 601,905

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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
Ohio Public Works loan	2020	2040	0.00%	\$ 550,000
Bond anticipation note	2021	2022	1.99%	\$ 425,000
<u>Business-type activities</u>				
General obligation bonds				
Storm water improvements	2011	2021	1.00 - 3.70%	\$ 1,575,000
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%	\$ 1,031,802
Ohio Water Development Authority loan	2019	2039	2.410%	\$ 250,875
Ohio Water Development Authority loan	2020	2040	1.620%	\$ 527,741

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2021 were as follows:

	Balance January 1	Additions	Reductions	Balance December 31	Due in One Year
<u>Governmental activities</u>					
Net pension liability					
OPERS	\$ 1,279,580	\$ -	\$ 276,498	\$ 1,003,082	\$ -
OP&F	4,760,897	139,922	-	4,900,819	-
Total net pension liability	<u>6,040,477</u>	<u>139,922</u>	<u>276,498</u>	<u>5,903,901</u>	<u>-</u>
Net OPEB liability					
OPERS	851,632	-	851,632	-	-
OP&F	698,087	63,601	-	761,688	-
Total net OPEB liability	<u>1,549,719</u>	<u>63,601</u>	<u>851,632</u>	<u>761,688</u>	<u>-</u>
911 system improvement note	16,474	-	5,471	11,003	11,003
OPWC loans	1,099,408	-	58,132	1,041,276	58,135
Bond anticipation note	-	425,000	-	425,000	425,000
Capital leases	73,102	-	44,672	28,430	13,882
Accrued leave benefits	1,202,109	414,789	179,186	1,437,712	320,892
Total governmental activities	<u>\$ 9,981,289</u>	<u>\$ 1,043,312</u>	<u>\$ 1,415,591</u>	<u>\$ 9,609,010</u>	<u>\$ 828,912</u>
<u>Business-type activities</u>					
General obligation bonds					
Storm water improvement					
1.00% - 3.70%					
through 2021	\$ 125,000	\$ -	\$ 125,000	\$ -	\$ -
Premium	(1,359)	-	(1,359)	-	-
Total general obligation bonds	<u>123,641</u>	<u>-</u>	<u>123,641</u>	<u>-</u>	<u>-</u>
Net pension liability - OPERS					
Water	347,806	-	71,959	275,847	-
Sewer	422,949	-	106,978	315,971	-
Storm Water	96,613	-	19,710	76,903	-
Total net pension liability	<u>867,368</u>	<u>-</u>	<u>198,647</u>	<u>668,721</u>	<u>-</u>
Net OPEB liability - OPERS					
Water	231,484	-	231,484	-	-
Sewer	281,496	-	281,496	-	-
Storm Water	64,301	-	64,301	-	-
Total net OPEB liability	<u>577,281</u>	<u>-</u>	<u>577,281</u>	<u>-</u>	<u>-</u>
OPWC loans	239,933	-	22,451	217,482	22,449
OWDA loans	2,365,859	130,162	112,889	2,383,132	117,179
Capital leases	717,447	-	61,098	656,349	63,249
Accrued leave benefits	86,054	7,481	8,606	84,929	-
Total business-type activities	<u>\$ 4,977,583</u>	<u>\$ 137,643</u>	<u>\$ 1,104,613</u>	<u>\$ 4,010,613</u>	<u>\$ 202,877</u>

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 LONG-TERM DEBT (continued)

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, 2021, excluding accrued leave benefits, are as follows:

Governmental Activities						
Year	911 System Improvement		Bond Anticipation Note		Total	
	Note	OPWC Loans	Principal	Interest	Principal	Interest
	Principal	Principal	Principal	Interest	Principal	Interest
2022	\$ 11,003	\$ 58,135	\$ 425,000	\$ 8,434	\$ 494,138	\$ 8,434
2023	-	58,134	-	-	58,134	-
2024	-	58,133	-	-	58,133	-
2025	-	58,133	-	-	58,133	-
2026	-	58,132	-	-	58,132	-
2027-2031	-	262,970	-	-	262,970	-
2032-2036	-	160,413	-	-	160,413	-
2037-2041	-	127,095	-	-	127,095	-
2042-2046	-	127,098	-	-	127,098	-
2047-2051	-	73,033	-	-	73,033	-
	<u>\$ 11,003</u>	<u>\$ 1,041,276</u>	<u>\$ 425,000</u>	<u>\$ 8,434</u>	<u>\$ 1,477,279</u>	<u>\$ 8,434</u>

Business-Type Activities					
Year	OPWC Loans	OWDA Loan		Total	
	Principal	Principal	Interest	Principal	Interest
2022	\$ 22,449	\$ 117,179	\$ 52,520	\$ 139,628	\$ 52,520
2023	22,450	119,793	49,909	142,243	49,909
2024	14,452	122,470	47,232	136,922	47,232
2025	6,454	125,213	44,487	131,667	44,487
2026	6,454	128,025	41,674	134,479	41,674
2027-2031	32,270	684,846	163,649	717,116	163,649
2032-2036	32,270	757,023	81,910	789,293	81,910
2037-2041	32,270	328,583	10,454	360,853	10,454
2042-2046	32,274	-	-	32,274	-
2047-2051	16,139	-	-	16,139	-
	<u>\$ 217,482</u>	<u>\$ 2,383,132</u>	<u>\$ 491,835</u>	<u>\$ 2,600,614</u>	<u>\$ 491,835</u>

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 CAPITAL LEASES

The City is obligated under certain leases accounted for as capital leases. The leased assets are included in capital assets and the related obligations are included under long-term debt. At December 31, 2021, assets under capital lease totaled \$ 222,037 in governmental activities and \$ 993,150 in business-type activities, with related accumulated depreciation of \$ 78,761 and \$ 196,644, 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, 2021.

Year Ending December 31,	Governmental-type Activities	Business-type Activities
2022	\$ 15,248	\$ 85,609
2023	15,248	85,609
2024	-	85,609
2025	-	85,609
2026	-	85,609
2027-2030	-	342,437
Total minimum lease payments	30,496	770,482
Less amount representing interest	(2,066)	(114,133)
Net present value of minimum lease payments	<u>\$ 28,430</u>	<u>\$ 656,349</u>

NOTE 12 OPERATING LEASES

The City is obligated under leases accounted for as operating leases. Total lease expense for the year ended December 31, 2021 was \$ 12,118. 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, 2021.

Year ending December 31	Amount
2022	\$ 14,750
2023	10,373
2024	5,988
2025	2,828
2026	2,352
Thereafter	196
Total minimum payments	<u>\$ 36,487</u>



CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

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 ACFR 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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of living adjustment.

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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
2021 Statutory maximum contribution rates	
Employer	14.0%
Employee	10.0%
2021 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 \$ 239,847 for 2020. Of this amount, \$ 23,049 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  
FOR THE YEAR ENDED DECEMBER 31, 2021

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 participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, 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
2021 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2021 Actual contribution rates		
Employer		
Pension	19.00%	23.50%
Post-employment health care benefits	0.50%	0.50%
Total employer	<u>19.50%</u>	<u>24.00%</u>
Employee	<u>12.25%</u>	<u>12.25%</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$ 395,512 for 2020. Of this amount \$ 42,323 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, 2020, 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, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. 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	\$ 1,671,803	\$ 4,900,819	\$ 6,572,622
Pension expense	\$ 78,510	\$ 448,007	\$ 526,517
Proportion of the net pension liability			
Prior measurement date	0.0108620%	0.0706728%	
Current measurement date	0.0112900%	0.0718902%	
Change in proportionate share	<u>-0.0004280%</u>	<u>-0.0012174%</u>	

At December 31, 2021, 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	\$ -	\$ 204,871	\$ 204,871
Change in assumptions	-	82,189	82,189
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	62,042	192,411	254,453
City contributions subsequent to the measurement date	239,847	395,512	635,359
Total deferred outflows of resources	<u>\$ 301,889</u>	<u>\$ 874,983</u>	<u>\$ 1,176,872</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 69,933	\$ 190,921	\$ 260,854
Net difference between projected and actual earnings on pension plan investments	651,620	237,722	889,342
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	11,076	3,446	14,522
Total deferred inflows of resources	<u>\$ 732,629</u>	<u>\$ 432,089</u>	<u>\$ 1,164,718</u>

\$ 635,359 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, 2022. 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, 2021

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
2022	\$ (245,002)	\$ 61,442	\$ (183,560)
2023	(71,092)	145,737	74,645
2024	(265,622)	(176,358)	(441,980)
2025	(88,871)	(291)	(89,162)
2026	-	16,852	16,852
Total	<u>\$ (670,587)</u>	<u>\$ 47,382</u>	<u>\$ (623,205)</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, 2020, 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	7.20 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: .5 percent, simple through 2021, then 2.15 percent simple

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple, to .5 simple through 2021 then 2.15 percent simple.

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 2020 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	25.00%	1.32%
Domestic equities	21.00%	5.64%
Real estate	10.00%	5.39%
Private equity	12.00%	10.42%
International equities	23.00%	7.36%
Other investments	9.00%	4.75%
Total	<u>100.00%</u>	<u>5.43%</u>

CITY OF SHEFFIELD LAKE, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 7.2 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	\$ 3,188,973	\$ 1,671,803	\$ 410,279

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date -During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

F- ACTUARIAL ASSUMPTIONS – OPF

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. 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. 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 5.51 years at December 31, 2020.



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)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2020, are presented below:

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
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	2.2 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of 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%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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.

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, 2020 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%	0.00%
Domestic Equity	21.00%	4.10%
Non-US Equity	14.00%	4.80%
Private Markets	8.00%	6.40%
Core Fixed Income *	23.00%	0.90%
High Yield Fixed Income	7.00%	3.00%
Private Credit	5.00%	4.50%
U.S. Inflation Linked Bonds *	17.00%	0.70%
Midstream Energy Infrastructure	5.00%	5.60%
Real Assets	8.00%	5.80%
Gold	5.00%	1.90%
Private Real Estate	12.00%	5.30%
Total	<u>125.00%</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 1.25 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  
 FOR THE YEAR ENDED DECEMBER 31, 2021

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	\$ 6,822,568	\$ 4,900,819	\$ 3,292,510

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date - 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 studies of the pension plan for the measurement date.

NOTE 14 – DEFINED BENEFIT OPEB PLANS

A. NET OPEB LIABILITY/(ASSET)

The net OPEB liability/(asset) reported on the statement of net position represents a liability/(asset) 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/(asset) 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/(asset) 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/(asset) 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/(asset) 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/(asset). Resulting adjustments to the net OPEB liability/(asset) 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, 2021

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

A. NET OPEB LIABILITY/ASSET (continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability/(asset)* on the accrual basis of accounting. Any liability/(asset) 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' ACFR 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. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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 2021. 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 2021 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 2021.

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, 2021

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 2021, 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 \$ 9,159 for 2020. Of this amount, \$ 1,053 is reported as an intergovernmental payable.

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

The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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/(asset) was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability/(asset) as of January 1, 2020 to December 31, 2020. The City's proportion of the net OPEB liability/(asset) 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:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the net OPEB liability (asset)	\$ (192,092)	\$ 761,688	\$ 569,596
OPEB expense	\$ (1,127,705)	\$ 78,503	\$ (1,049,202)
Proportion of the net OPEB liability			
Prior measurement date	0.0103450%	0.0706728%	
Current measurement date	0.0107810%	0.0718902%	
Change in proportionate share	<u>-0.0004360%</u>	<u>-0.0012174%</u>	

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

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

At December 31, 2021, 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			
Change in assumptions	\$ 94,425	\$ 420,791	\$ 515,216
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	35,578	40,712	76,290
City contributions subsequent to the measurement date	-	9,159	9,159
Total deferred outflows of resources	<u>\$ 130,003</u>	<u>\$ 470,662</u>	<u>\$ 600,665</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 173,344	\$ 125,638	\$ 298,982
Change in assumptions	311,214	121,427	432,641
Net difference between projected and actual earnings on pension plan investments	102,300	28,306	130,606
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	860	-	860
Total deferred inflows of resources	<u>\$ 587,718</u>	<u>\$ 275,371</u>	<u>\$ 863,089</u>

\$ 9,159 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 2022. 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
2022	\$ (236,018)	\$ 38,325	\$ (197,693)
2023	(165,187)	45,028	(120,159)
2024	(44,456)	34,461	(9,995)
2025	(12,054)	38,016	25,962
2026	-	15,374	15,374
Thereafter	-	14,928	14,928
Total	<u>\$ (457,715)</u>	<u>\$ 186,132</u>	<u>\$ (271,583)</u>

CITY OF SHEFFIELD LAKE, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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, 2019, rolled forward to the measurement date of December 31, 2020. 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	6.00 percent
Prior measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.00 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	8.5 percent initial, 3.50 percent ultimate in 2035

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 2020, 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 10.5% for 2020.

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 2020 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%	1.07%
Domestic equities	25.00%	5.64%
Real estate investment trust	7.00%	6.48%
International equities	25.00%	7.36%
Other investments	9.00%	4.02%
Total	<u>100.00%</u>	<u>4.43%</u>

Discount Rate - A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. 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 2.00 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 the health care costs through 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

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/Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of 6.0 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 (5.0 percent) or one-percentage-point higher (7.0 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net pension liability/(asset)	\$ (47,760)	\$ (192,092)	\$ (310,708)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability/(asset) 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/(asset). The following table presents the net OPEB liability/(asset) calculated using the assumed trend rates, and the expected net OPEB liability/(asset) 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 2021 is 8.50 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 3.50 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/(asset)	\$ (196,753)	\$ (192,092)	\$ (186,835)

Changes between Measurement Date and Report Date - On January 15, 2020, the Board adopted several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 15, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

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

F. ACTUARIAL ASSUMPTIONS – OP&F

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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.

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, 2020, with actuarial liabilities rolled forward to December 31, 2020
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 8.0 percent
Cost of Living Increases	2.2 percent simple
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 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.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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  
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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 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, 2020, are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.00%
Domestic Equity	21.00%	4.10%
Non-US Equity	14.00%	4.80%
Private Markets	8.00%	6.40%
Core Fixed Income *	23.00%	0.90%
High Yield Fixed Income	7.00%	3.00%
Private Credit	5.00%	4.50%
U.S. Inflation Linked Bonds *	17.00%	0.70%
Midstream Energy Infrastructure	5.00%	5.60%
Real Assets	8.00%	5.80%
Gold	5.00%	1.90%
Private Real Estate	12.00%	5.30%
Total	125.00%	

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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 1.25 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 2.96 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 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 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 2.96 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 (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City’s proportionate share of the net pension liability	\$ 949,782	\$ 761,688	\$ 606,533

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 - There was a decrease in the discount rate from 3.56 percent at the prior measurement date to 2.96 percent at the current measurement date. There are no changes to benefit terms.

CITY OF SHEFFIELD LAKE, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, 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, 2021.

NOTE 17 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2021 consisted of the following transfers:

	Transfers from:		
		Non-major Governmental Funds	Storm Water Fund
Transfers to:	General Fund		
Non-major Governmental Funds	\$ 2,365,711	\$ 140,000	\$ 3,812

The General Fund transfer Non-major Governmental Funds was made 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.

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.

CITY OF SHEFFIELD LAKE, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS (continued)

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 2021. 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 COMMITMENTS

As of December 31, 2021, the City had commitments to purchase equipment with an approximate cost of \$ 82,700 and a vehicle with an approximate cost of \$ 165,900. These transactions have not been recorded in the financial statements because the City had not received the equipment or vehicle as of December 31, 2021.

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, 2021 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 \$ 793,420. Rental income from the leases totaled \$ 304,577 during the year ended December 31, 2021. Future minimum rentals to be received under these leases as of December 31, 2021 are as follows:

Year ending December 31	Amount
2022	\$ 21,166
2023	18,549
2024	16,096
	\$ 55,811

CITY OF SHEFFIELD LAKE, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 22 SPECIAL ITEM

During the year ended December 31, 2021, the City sold a portion of the Shoreway Shopping Center, which is accounted for as Property held for resale. Approximately 82% of the total asset was sold for \$ 1,848,970 which resulted in a loss of \$ 1,765,498 in the statement of activities and the statement of revenues, expenditures and changes in fund balances.

NOTE 23 COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the City received American Rescue Act funding. These amounts are reflected as security of persons and property expenditures in the Federal Grants Special Revenue Fund on the accompanying financial statements.

NOTE 24 – ASSET RETIREMENT OBLIGATIONS

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment facilities, requiring the City to record an asset retirement obligation (ARO). There may be additional AROs related to public safety issues; however, these amounts are not reasonably estimable. Currently, there is significant uncertainty as to what items would need to be addressed; therefore, a reliable estimated amount could not be determined.

NOTE 25 SUBSEQUENT EVENTS

On August 5, 2022, the City issued \$ 440,000 of bond anticipation notes (BANS). The BANS have a 3.65% interest rate and will mature August 4, 2023. The proceeds of the BANS were used to retire notes previously issued and to finance equipment purchases.



REQUIRED SUPPLEMENTARY INFORMATION

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 EIGHT YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.0112900%	0.0108620%	0.0111170%	0.0106200%
City's proportionate share of the net pension liability	\$ 1,671,803	\$ 2,146,948	\$ 3,044,721	\$ 1,666,072
City's covered payroll	\$ 1,630,524	\$ 1,561,955	\$ 1,498,635	\$ 1,404,869
City's proportionate share of the net pension liability as a percentage of its covered payroll	102.53%	137.45%	203.17%	118.59%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%

(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 accountant's compilation report and notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0110200%	0.010849%	0.011403%	0.011403%
\$ 2,502,455	\$ 1,878,800	\$ 1,375,015	\$ 1,344,179
\$ 1,473,055	\$ 1,353,132	\$ 1,400,930	\$ 1,332,876
169.88%	138.85%	98.15%	100.85%
77.25%	81.08%	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 EIGHT YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.0718902%	0.0706728%	0.0690680%	0.0684960%
City's proportionate share of the net pension liability	\$ 4,900,819	\$ 4,760,897	\$ 5,637,774	\$ 4,203,909
City's covered payroll	\$ 1,732,957	\$ 1,648,341	\$ 1,525,515	\$ 1,462,407
City's proportionate share of the net pension liability as a percentage of its covered payroll	282.80%	288.83%	369.57%	287.47%
Plan fiduciary net position as a percentage of the total pension liability	70.65%	69.89%	63.07%	70.91%

(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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0679970%	0.0647790%	0.0668390%	0.0668390%
\$ 4,306,862	\$ 4,167,279	\$ 3,547,890	\$ 3,255,269
\$ 1,422,505	\$ 1,302,997	\$ 1,250,429	\$ 1,311,619
302.77%	319.82%	283.73%	248.19%
68.36%	66.77%	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 NINE YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 239,847	\$ 228,273	\$ 218,674	\$ 209,809
Contributions in relation to the contractually required contributions	<u>(239,847)</u>	<u>(228,273)</u>	<u>(218,674)</u>	<u>(209,809)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,713,195	\$ 1,630,524	\$ 1,561,955	\$ 1,498,635
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

(1) Information prior to 2013 is not available

See notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 182,633	\$ 176,766	\$ 162,376	\$ 168,112	\$ 173,274
<u>(182,633)</u>	<u>(176,766)</u>	<u>(162,376)</u>	<u>(168,112)</u>	<u>(173,274)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,404,869	\$ 1,473,055	\$ 1,353,132	\$ 1,400,930	\$ 1,332,876
13.00%	12.00%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 395,512	\$ 372,782	\$ 355,212	\$ 330,756
Contributions in relation to the contractually required contributions	<u>(395,512)</u>	<u>(372,782)</u>	<u>(355,212)</u>	<u>(330,756)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,831,808	\$ 1,732,957	\$ 1,648,341	\$ 1,525,515
Contributions as a percentage of covered payroll	21.59%	21.51%	21.55%	21.68%

See notes to required supplementary information



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 316,853	\$ 309,671	\$ 284,869	\$ 274,427	\$ 205,354	\$ 227,286
<u>(316,853)</u>	<u>(309,671)</u>	<u>(284,869)</u>	<u>(274,427)</u>	<u>(205,354)</u>	<u>(227,286)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,462,407	\$ 1,422,505	\$ 1,302,997	\$ 1,250,429	\$ 1,311,619	\$ 1,464,683
21.67%	21.77%	21.86%	21.95%	15.66%	15.52%

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 FIVE YEARS (1)

	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.0107810%	0.0103450%	0.0103520%	0.009920%	0.010271%
City's proportionate share of the net OPEB liability (asset)	\$ (192,092)	\$ 1,428,913	\$ 1,349,656	\$ 1,077,239	\$ 1,001,954
City's covered payroll	\$ 1,630,524	\$ 1,561,955	\$ 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	-11.78%	91.48%	90.06%	76.68%	68.02%
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	47.80%	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 FIVE YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.0718902%	0.0706728%	0.0690680%	0.0684960%	0.0679970%
City's proportionate share of the net OPEB liability	\$ 761,688	\$ 698,087	\$ 628,970	\$ 3,880,887	\$ 3,227,665
City's covered payroll	\$ 1,732,957	\$ 1,648,341	\$ 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	43.95%	42.35%	41.23%	265.38%	226.90%
Plan fiduciary net position as a percentage of the total OPEB liability	45.40%	47.10%	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 SIX YEARS (1)

	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,713,195	\$ 1,630,524	\$ 1,561,955	\$ 1,498,635
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

(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

<u>2017</u>	<u>2016</u>
\$ 14,049	\$ 29,461
<u>(14,049)</u>	<u>(29,461)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,404,869	\$ 1,473,055
1.00%	2.00%

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 9,159	\$ 8,665	\$ 8,242	\$ 7,628
Contributions in relation to the contractually required contributions	<u>(9,159)</u>	<u>(8,665)</u>	<u>(8,242)</u>	<u>(7,628)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,831,808	\$ 1,732,957	\$ 1,648,341	\$ 1,525,515
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

See notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 7,312	\$ 7,098	\$ 6,515	\$ 6,252	\$ 47,602	\$ 98,866
<u>(7,312)</u>	<u>(7,098)</u>	<u>(6,515)</u>	<u>(6,252)</u>	<u>(47,602)</u>	<u>(98,866)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,462,407	\$ 1,422,505	\$ 1,302,997	\$ 1,250,429	\$ 1,311,619	\$ 1,464,683
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%

CITY OF SHEFFIELD LAKE, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

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 2014-2021.

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%.

For 2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

B. OHIO POLICE AND FIRE PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

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 2019-2021: 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, 2021

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.

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability. The single discount rate changed from 3.96% to 3.16%, the municipal bond rate changed from 3.71% to 2.75% and the health care cost trend rate changed from 10.00% to 10.50%.

In 2021, changes in assumptions included a decrease in the municipal bond rate from 2.75% to 2.00% and the assumption that fiduciary net position and future contributions are sufficient to finance health care costs through 2120 resulted in an increase in the single discount rate from 3.16% to 6.00%. Another change includes adjusting the health care cost trend rate from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035.

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.

For 2020 - 2021, there were no changes in benefit terms.

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

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%.

For 2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

For 2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 3.56% to 2.96%.

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# OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

## 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2021, 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 18, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 18, 2022

# 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 9/6/2022**

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)