CITY OF SHEFFIELD LAKE
LORAIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF SHEFFIELD LAKE
LORAIN COUNTY
DECEMBER 31, 2018

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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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Also as discussed in Note 3 to the financial statements, the City restated net position at December 31, 2017 to present its tax anticipation note as a fund liability. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

July 30, 2019

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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, 2018. 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 2018 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 $ 14,458,107. (net position).

Total net position increased by $ 23,927. Net position of governmental activities increased $ 116,259 from 2017. Net position of business-type activities decreased $ 92,332 from 2017.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $ 4,141,841, an increase of $ 53,429 in comparison with the prior year. Approximately 22.3 percent of this amount, $ 951,269 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 $ 1,477,074 or 28.8 percent of total General Fund expenditures.

The City's total long-term debt obligations decreased by $ 755,677 (22.0 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.

Fund Financial Statements

Governmental fund financial statements focus on the City's most significant, or major funds. The City's major governmental funds are the General Fund and Shoreway Capital Project 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, 2018 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. The City uses only agency funds included under the fiduciary funds category. Agency funds are reported on a full accrual basis, for which only a statement of assets and liabilities is presented.

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.

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 2018 compared to 2017.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets						
Current and other assets	$ 12,306,243	$ 12,023,228	$ 1,711,130	$ 1,765,264	$ 14,017,373	$ 13,788,492
Capital assets, net	12,303,587	12,321,802	7,260,326	7,426,964	19,563,913	19,748,766
Total assets	24,609,830	24,345,030	8,971,456	9,192,228	33,581,286	33,537,258
Deferred outflows of resources						
Pension	1,024,814	1,591,156	118,342	269,699	1,143,156	1,860,855
OPEB	458,901	17,385	22,434	3,976	481,335	21,361
Total deferred outflows of resources	1,483,715	1,608,541	140,776	273,675	1,624,491	1,882,216
Liabilities						
Current liabilities	3,809,563	3,832,477	90,080	124,698	3,899,643	3,957,175
Long-term liabilities						
Due within one year	251,557	767,315	231,635	216,363	483,192	983,678
Due in more than one year						
Net pension liability	5,398,482	6,113,634	471,499	695,683	5,869,981	6,809,317
Net OPEB liability	4,653,268	3,946,066	304,858	283,553	4,958,126	4,229,619
Other amounts	1,461,476	1,469,562	1,951,407	2,125,687	3,412,883	3,595,249
Total liabilities	15,574,346	16,129,054	3,049,479	3,445,984	18,623,825	19,575,038
Deferred inflows of resources						
Property taxes	1,350,100	1,283,500	-	-	1,350,100	1,283,500
Pension	523,811	115,405	123,507	11,351	647,318	126,756
OPEB	103,417	-	23,010	-	126,427	-
Total deferred inflows of resources	1,977,328	1,398,905	146,517	11,351	2,123,845	1,410,256
Net position						
Net investment in capital assets	11,014,730	10,568,356	5,138,277	5,132,468	16,153,007	15,700,824
Restricted	2,794,017	2,532,983	-	-	2,794,017	2,532,983
Unrestricted	(5,266,876)	(4,675,727)	777,959	876,100	(4,488,917)	(3,799,627)
Total net position	$ 8,541,871	$ 8,425,612	$ 5,916,236	$ 6,008,568	$ 14,458,107	$ 14,434,180

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to 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 the net pension asset and 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.

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.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from $ 12,354,293 to $ 8,425,612 for governmental activities and from $ 6,288,145 to $ 6,008,568 for business-type activities.

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

Total assets increased by $ 44,028 to $ 33,581,286; current and other assets increased by $ 228,881 to $ 14,017,373 while net capital assets decreased by $ 184,853.

Current liabilities decreased by $ 57,532 to $ 3,899,634 primarily due to a decrease in accounts payable and an increase in notes payable. Long-term liabilities decreased by $ 893,681 to $ 14,724,182.

Total net position increased by $ 23,927 to $ 14,458,107 with governmental net position comprising $ 8,541,871 and business-type net position comprising $ 5,916,236 of that amount.

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

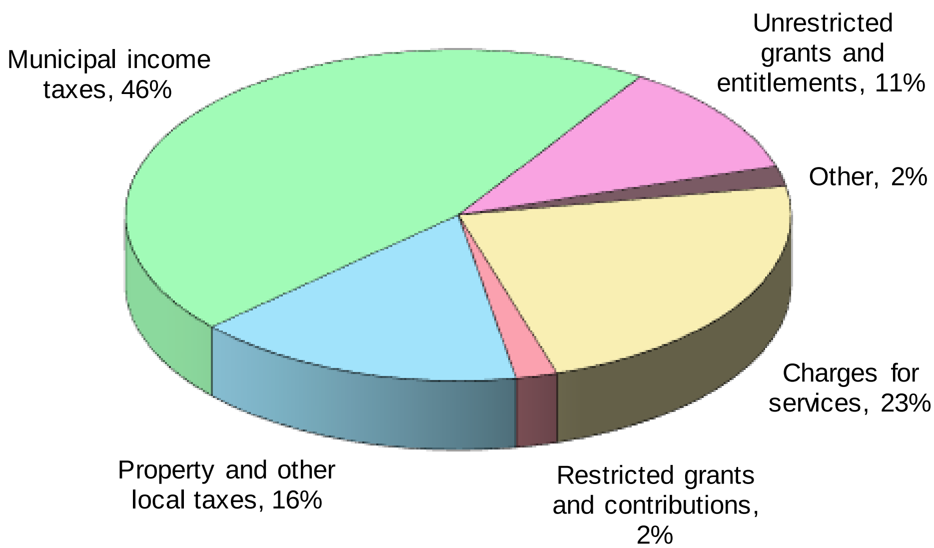
	Governmental Activities		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Revenues						
Program revenues						
Charges for services and sales	$ 1,814,703	$ 1,708,763	$ 2,304,553	$ 2,186,542	$ 4,119,256	$ 3,895,305
Operating grants, interest and contributions	12,941	71,609	-	-	12,941	71,609
Capital grants and contributions	126,046	286,575	13,868	-	139,914	286,575
Total program revenues	1,953,690	2,066,947	2,318,421	2,186,542	4,272,111	4,253,489
General revenues						
Property and other local taxes	1,283,231	1,147,450	-	-	1,283,231	1,147,450
Municipal income taxes	3,615,291	3,716,572	-	-	3,615,291	3,716,572
Unrestricted grants and entitlements	848,313	841,593	-	-	848,313	841,593
Other	117,425	246,638	6	8,206	117,431	254,844
Total general revenues	5,864,260	5,952,253	6	8,206	5,864,266	5,960,459
Total revenues	7,817,950	8,019,200	2,318,427	2,194,748	10,136,377	10,213,948
Program expenses						
Security of persons and property	3,873,849	3,420,191	-	-	3,873,849	3,420,191
Public health and welfare	70,937	34,164	-	-	70,937	34,164
Leisure time activities	259,524	268,258	-	-	259,524	268,258
Community environment	128,660	28,221	-	-	128,660	28,221
Basic utility services	788,747	770,603	-	-	788,747	770,603
Transportation	1,189,427	1,046,581	-	-	1,189,427	1,046,581
General government	1,259,553	1,527,422	-	-	1,259,553	1,527,422
Interest	137,039	99,002	-	-	137,039	99,002
Water	-	-	931,074	839,060	931,074	839,060
Sewer	-	-	1,152,925	1,106,604	1,152,925	1,106,604
Storm water	-	-	320,715	321,126	320,715	321,126
Total program expenses	7,707,736	7,194,442	2,404,714	2,266,790	10,112,450	9,461,232
Change in net position before transfers	110,214	824,758	(86,287)	(72,042)	23,927	752,716
Transfers	6,045	(5,015)	(6,045)	5,015	-	-
Change in net position	116,259	819,743	(92,332)	(67,027)	23,927	752,716
Net position, beginning of year	8,425,612	N/A	6,008,568	N/A	14,434,180	N/A
Net position, end of year	$ 8,541,871	$ 8,425,612	$ 5,916,236	$ 6,008,568	$ 14,458,107	$ 14,434,180

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $ 21,361 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $ 402,588. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	$ 7,707,736	$ 2,404,714	$ 10,112,450
OPEB expense under GASB 75	(376,731)	(25,857)	(402,588)
2018 contractually required contribution	7,628	-	7,628
Adjusted 2018 program expenses	7,338,633	2,378,857	9,717,490
Total 2017 program expenses under GASB 45	7,194,442	2,266,790	9,461,232
Increase in program expenses not related to OPEB	$ 144,191	$ 112,067	$ 256,258

Governmental activities

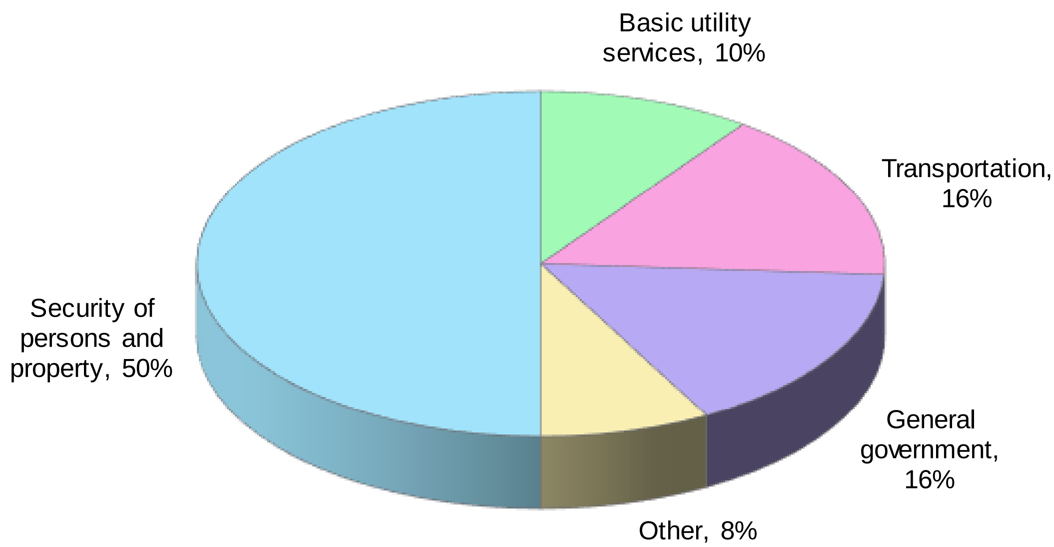
Revenues by source of governmental activities for 2018 were comprised of:



Revenues

For 2018, municipal income taxes, representing 46 percent of total revenue, was the largest portion of revenue for governmental activities. Property and other local taxes, charges for services, and unrestricted grants and entitlements, represented the next three largest sources of revenue at 16 percent, 23 percent, and 11 percent respectively.

Program expenses of governmental activities for 2018 were comprised of:

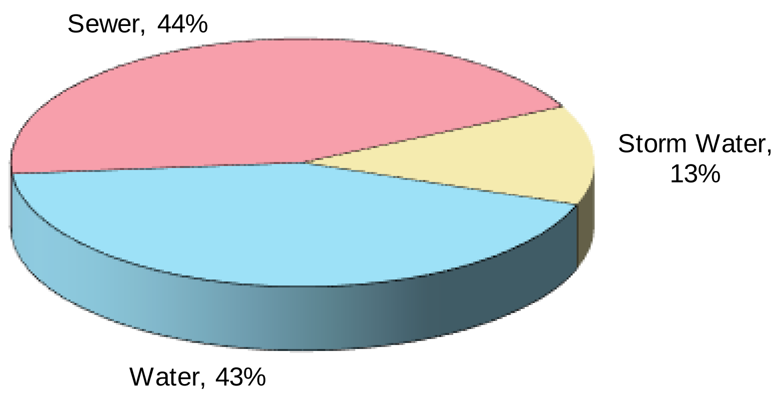


Program expenses
Program expenses amounted to $ 7,707,736 in 2018, of which $ 1,953,690 was supported by program revenue. Security of persons and property, which includes police, fire and paramedic services, represented $ 3,873,849 or 50 percent of total program expenses. Basic utilities services of $ 788,747 or 10 percent includes refuse collections. Transportation, which includes street maintenance and snow removal, represented $ 1,189,427 or 16 percent of program expenses. General government represented $ 1,259,553 or 16 percent of program expenses. General government expenses include legislative and administrative services such as council, mayor, finance, law and computer services departments, utilities and maintenance of buildings. Other expenses include public health and welfare, community environment, leisure time activities, including recreation activities and maintenance of the City's park system, and interest amounted to $ 596,160 or 8 percent.

Business-type activities

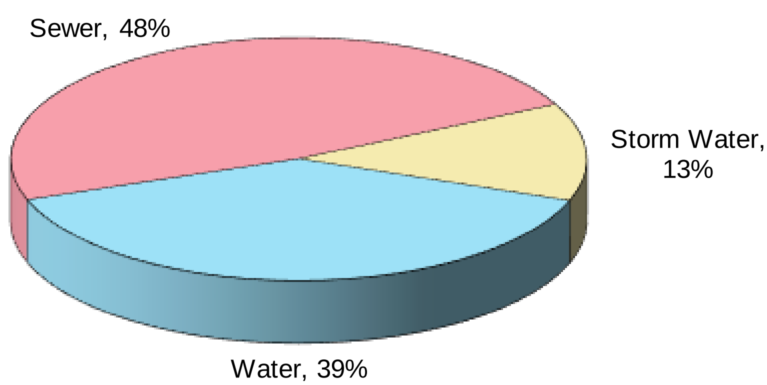
Revenues
Charges for services represented 99.4 percent of total revenues for business-type activities in 2018. Revenues for business-type activities for 2018 were comprised of:

Revenue, Business-type Activities



Expenses
Water operations expenses amounted to $ 931,074 or 39 percent. Sanitary sewer operations expenses amounted to $ 1,152,925 or 48 percent of total program expenses and storm water operation expenses amounted to $ 320,715 or 13 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



The City's Funds
The City's governmental funds financial information begins at page 22. Total assets of governmental funds increased by $ 103,015, total liabilities of governmental funds decreased by $ 9,756 and deferred inflows of resources increased by $ 239,342 resulting in an increase in governmental total fund balances of $ 53,429 to $ 4,141,841 at year-end 2018.

Total governmental funds revenues decreased by $ 241,307 in 2018, while total expenditures decreased by $ 41,967. Total other financing sources (uses) decreased by $ 796,989 to $ 6,045. The City's major governmental funds in 2018 consisted of the General Fund and Shoreway Capital Projects Fund. General Fund revenues were $ 182,117 or 3.1 percent lower in 2018 than 2017. General Fund total expenditures increased by $ 237,844 or 4.8 percent. General Fund net other financing sources (uses) changed to ($ 182,412) in 2018 from ($ 161,833) in 2017. Accordingly, the General Fund fund balance increased by $ 345,229 to $ 3,238,520 at year-end 2018. Shoreway Capital Projects Fund had total expenditures of $ 7,292 and other financing sources of $ 46,012, resulting in an increase in fund balance of $ 38,720 to $ 1,230,867 at year-end 2018.

The City's proprietary funds information begins at page 27. The Water Fund net position increased by $ 70,462. Sewer Fund and Storm Water Fund net position decreased by $ 127,422 and $ 35,372, respectively. The City's proprietary funds have historically been self-sufficient.

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

The General Fund is the City's most significant budgeted fund. Original budgeted receipts (excluding other sources) for the General Fund were $ 4,547,954 and final budgeted receipts were $ 4,720,492. Original appropriations (excluding other uses) were $ 5,037,170. The City actually expended $ 5,270,820 which was $ 1,008,901 less than final appropriations.

The City historically spends less than appropriated. For 2018, actual expenditures were 84 percent of final appropriations.

Capital Assets

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

	Governmental Activities		Business type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 484,539	$ 484,539	$ 153,910	$ 153,910	$ 638,449	$ 638,449
Construction in progress	73,438	9,033	30,099	-	103,537	9,033
Buildings and improvements	2,820,075	2,641,918	97,730	100,445	2,917,805	2,742,363
Equipment and vehicles	1,454,836	1,313,124	1,105,194	1,110,420	2,560,030	2,423,544
Infrastructure	7,470,699	7,873,188	5,873,393	6,062,189	13,344,092	13,935,377
	$ 12,303,587	$ 12,321,802	$ 7,260,326	$ 7,426,964	$ 19,563,913	$ 19,748,766

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 $ 12,303,587 at December 31, 2018, which was $ 18,215 lower than the previous year. Business-type capital assets, net of depreciation, decreased by $ 166,638 to $ 7,260,326. 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	
	2018	Restated 2017	2018	2017	2018	Restated 2017
Notes payable	$ 27,416	$ 382,887	$ -	$ -	$ 27,416	$ 382,887
OPWC loans	414,529	447,241	89,351	111,589	503,880	558,830
OWDA loan	-	-	844,217	834,351	844,217	834,351
General obligation bonds	-	145,000	350,923	454,564	350,923	599,564
Capital leases	115,007	166,413	833,481	888,556	948,488	1,054,969
	$ 556,952	$ 1,141,541	$ 2,117,972	$ 2,289,060	$ 2,674,924	$ 3,430,601

As of December 31, 2018, the City had long-term debt obligations, excluding accrued leave benefits and net pension/OPEB liability, of $ 2,674,924, with $ 322,857 due within one year. Governmental activities long-term debt obligations have been restated to exclude a tax anticipation note that had been presented as a long-term debt obligation in prior years.

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 City's general obligation bonds under governmental activities were fully paid by 2018. 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.

Economic Factors and Next Year's Budget

The City continues to proceed with several ongoing road and infrastructure improvements. Administration, with the support of City Council, is currently working on 2019 improvements with repair and upgrades to several areas and roads within the corporation limits. In 2019 these projects will include full depth pavement and infrastructure reconstruction on Harris Road as well as State Route 301/Abbe Road. 2019 will bring much needed repair and replacement of the City's three sewage pump stations with new technology allowing for continued monitoring and control of flow and efficiency. The City was awarded a grant from Ohio Department of Natural Resources (ODNR) to proceed with improvement to our Day Ditch at the City's southern border. This improvement, which will include a retention area as well, will ensure that this public watercourse allows for proper drainage and waterflow. The addition and improvements to our Joyce E. Hanks Community Center, which broke ground in the fall of 2018, is scheduled for completion in the spring of 2019. Many projects are being planned over the next few years which includes obtaining grants, as well as low and/or zero interest loans, in order to continue to repair and rebuild aging water and sewer lines. The City continues to react conservatively in regard to recent years of stabilization and growth in revenue assuring continued reserve to be in position to react to possible unforeseen issues. The annual budget will continue to be monitored efficiently and consistently throughout the year as department heads review their budgets on a monthly basis. The Finance Director, Mayor and City Council continue to work closely in the monitoring of the City's current budget as well as the preparation of the 2020 budget and look forward to providing our citizens 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.

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CITY OF SHEFFIELD LAKE, OHIO

STATEMENT OF NET POSITION

DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash	$ 2,864,916	$ 1,326,116	$ 4,191,032
Accounts and other receivable	161,792	311,418	473,210
Due from other governments	494,780	13,868	508,648
Inventories and supplies	28,225	-	28,225
Prepaid expenses	65,142	7,500	72,642
Income taxes receivable	2,681,700	-	2,681,700
Property taxes receivable	1,601,800	-	1,601,800
Special assessments receivable	-	52,228	52,228
Property held for resale	4,407,888	-	4,407,888
Capital assets			
Nondepreciable capital assets	557,977	184,009	741,986
Depreciable capital assets, net	11,745,610	7,076,317	18,821,927
Total assets	24,609,830	8,971,456	33,581,286
Deferred outflows of resources			
Pension	1,024,814	118,342	1,143,156
OPEB	458,901	22,434	481,335
Total deferred outflows of resources	1,483,715	140,776	1,624,491
Liabilities			
Accounts and contracts payable	165,500	52,238	217,738
Accrued wages and benefits	106,349	18,888	125,237
Accrued interest payable	23,010	8,300	31,310
Due to other governments	82,799	10,654	93,453
Notes payable	3,431,905	-	3,431,905
Long term liabilities			
Due within one year	251,557	231,635	483,192
Due in more than one year			
Net pension liability	5,398,482	471,499	5,869,981
Net OPEB liability	4,653,268	304,858	4,958,126
Other amounts	1,461,476	1,951,407	3,412,883
Total liabilities	15,574,346	3,049,479	18,623,825
Deferred inflows of resources			
Property taxes	1,350,100	-	1,350,100
Pension	523,811	123,507	647,318
OPEB	103,417	23,010	126,427
Total deferred inflows of resources	1,977,328	146,517	2,123,845
Net position			
Net investment in capital assets	11,014,730	5,138,277	16,153,007
Restricted for:			
Debt service	28,838	-	28,838
Capital projects	1,476,400	-	1,476,400
Highways and streets	890,854	-	890,854
Public safety	246,629	-	246,629
Recreation	10,477	-	10,477
Community environment	139,997	-	139,997
Other purposes	822	-	822
Unrestricted	(5,266,876)	777,959	(4,488,917)
Total net position	$ 8,541,871	$ 5,916,236	$ 14,458,107

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities				
Security of persons and property	$ 3,873,849	$ 208,994	$ -	$ 18,532
Public health and welfare	70,937	-	-	-
Leisure time activities	259,524	20,490	-	52,244
Community environment	128,660	-	-	-
Basic utility services	788,747	779,810	12,941	-
Transportation	1,189,427	10,227	-	-
General government	1,259,553	795,182	-	55,270
Interest	137,039	-	-	-
Total governmental activities	7,707,736	1,814,703	12,941	126,046
Business-type activities:				
Water	931,074	987,668	-	13,868
Sewer	1,152,925	1,025,503	-	-
Storm Water	320,715	291,382	-	-
Total business-type activities	2,404,714	2,304,553	-	13,868
Total	$ 10,112,450	$ 4,119,256	$ 12,941	$ 139,914

General revenues
- Property and other local taxes levied for:
  - General purpose
  - Debt service
  - Other
- Municipal income taxes levied for:
  - General purpose
  - Roads
- Grants and entitlements not restricted to specific purposes
- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Change in net position

Net position at beginning of year, restated

Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (3,646,323)	$ -	$ (3,646,323)
(70,937)	-	(70,937)
(186,790)	-	(186,790)
(128,660)	-	(128,660)
4,004	-	4,004
(1,179,200)	-	(1,179,200)
(409,101)	-	(409,101)
(137,039)	-	(137,039)
(5,754,046)	-	(5,754,046)
-	70,462	70,462
-	(127,422)	(127,422)
-	(29,333)	(29,333)
-	(86,293)	(86,293)
(5,754,046)	(86,293)	(5,840,339)
330,632	-	330,632
75,870	-	75,870
876,729	-	876,729
3,138,312	-	3,138,312
476,979	-	476,979
848,313	-	848,313
89,189	-	89,189
28,236	6	28,242
5,864,260	6	5,864,266
6,045	(6,045)	-
116,259	(92,332)	23,927
8,425,612	6,008,568	14,434,180
$ 8,541,871	$ 5,916,236	$ 14,458,107

CITY OF SHEFFIELD LAKE, OHIO

BALANCE SHEET – GOVERNMENTAL FUNDS

DECEMBER 31, 2018

	General	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	$ 2,560,067	$ -	$ 304,849	$ 2,864,916
Income taxes receivables	2,333,079	-	348,621	2,681,700
Property taxes receivable	442,000	-	1,159,800	1,601,800
Due from other governments	174,334	-	320,446	494,780
Accounts and other receivable	161,792	-	-	161,792
Inventories and supplies	10,792	-	17,433	28,225
Prepaid expenses	60,142	-	5,000	65,142
Property held for resale	459,741	3,948,147	-	4,407,888
Total assets	$ 6,201,947	$ 3,948,147	$ 2,156,149	$ 12,306,243
Liabilities				
Accounts and contracts payable	$ 155,720	$ -	$ 9,780	$ 165,500
Accrued wages and benefits	98,187	-	8,162	106,349
Accrued interest payable	-	17,280	5,730	23,010
Due to other governments	77,661	-	5,138	82,799
Notes payable	-	2,700,000	731,905	3,431,905
Accrued leave benefits	160,335	-	-	160,335
Total liabilities	491,903	2,717,280	760,715	3,969,898
Deferred inflows of resources				
Property taxes levied for next year and unavailable resources	2,471,524	-	1,722,980	4,194,504
Total deferred inflows of resources	2,471,524	-	1,722,980	4,194,504
Fund balances				
Nonspendable	70,934	1,230,867	22,433	1,324,234
Restricted	-	-	175,826	175,826
Assigned	1,690,512	-	-	1,690,512
Unassigned	1,477,074	-	(525,805)	951,269
Total fund balances	3,238,520	1,230,867	(327,546)	4,141,841
Total liabilities, deferred inflows of resources and fund balances	$ 6,201,947	$ 3,948,147	$ 2,156,149	$ 12,306,243

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, 2018

Total governmental funds balances		$ 4,141,841
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.		12,303,587
Other long term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds:		
Property and other local taxes	$ 251,700	
Accounts and other receivables	41,556	
Municipal income tax	2,146,000	
Intergovernmental	405,148	
Total		2,844,404
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows - pension	1,024,814	
Deferred inflows - pension	(523,811)	
Net pension liability	(5,398,482)	
Deferred outflows - OPEB	458,901	
Deferred inflows - OPEB	(103,417)	
Net OPEB liability	(4,653,268)	
		(9,195,263)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable	(27,416)	
OPWC loans payable	(414,529)	
Capital leases	(115,007)	
Accrued leave benefits	(995,746)	
		(1,552,698)
Net position of governmental activities		$ 8,541,871

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, 2018

	General	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and other local taxes	$ 310,532	$ -	$ 915,099	$ 1,225,631
Municipal income taxes	3,059,229	-	465,162	3,524,391
Intergovernmental revenue	382,232	-	602,430	984,662
Charges for services	1,509,348	-	280	1,509,628
Fines, licenses, and permits	148,161	-	450	148,611
Interest	87,222	-	1,967	89,189
Miscellaneous	150,337	-	12,759	163,096
Total revenues	5,647,061	-	1,998,147	7,645,208
Expenditures				
Current				
Security of persons and property	2,238,179	-	981,315	3,219,494
Public health and welfare	70,937	-	-	70,937
Leisure time activities	294,599	-	-	294,599
Community environment	124,173	-	-	124,173
Basic utility services	794,000	-	-	794,000
Transportation	-	-	746,403	746,403
General government	1,379,816	-	2,237	1,382,053
Capital outlay	69,489	-	171,648	241,137
Debt service				
Note principal	5,471	-	350,000	355,471
Bond principal	40,000	-	105,000	145,000
OPWC loan principal	-	-	32,712	32,712
Capital lease principal	11,274	-	40,132	51,406
Interest and fiscal charges	91,482	7,292	41,665	140,439
Total expenditures	5,119,420	7,292	2,471,112	7,597,824
Excess (deficiency) of revenues over expenditures	527,641	(7,292)	(472,965)	47,384
Other financing sources (uses)				
Transfers-in	-	46,012	267,945	313,957
Transfers-out	(182,412)	-	(125,500)	(307,912)
Total other financing sources (uses)	(182,412)	46,012	142,445	6,045
Net change in fund balance	345,229	38,720	(330,520)	53,429
Fund balances, beginning of year, restated	2,893,291	1,192,147	2,974	4,088,412
Fund balances, end of year	$ 3,238,520	$ 1,230,867	$ (327,546)	$ 4,141,841

See accompanying notes to the basic financial statements.

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, 2018

Net change in fund balances - total governmental funds			$ 53,429
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 net capital outlay exceeded depreciation expense in the current period.			
	Capital outlay, net	$ 611,774	
	Depreciation expense	(629,989)	
		.	(18,215)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:			
	Municipal income tax	90,900	
	Property and other local taxes	57,600	
	Miscellaneous	21,604	
	Intergovernmental revenue	2,638	
			172,742
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	355,471	
	OPWC loan principal paid	32,712	
	Bond principal paid	145,000	
	Capital lease principal paid	51,406	
			584,589
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.			3,400
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.			
Pension		481,190	
OPEB		7,628	
			488,818
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			
Pension		(740,786)	
OPEB		(376,731)	
			(1,117,517)
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		(50,987)
Change in net position of governmental activities			$ 116,259

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, 2018

	General Fund			
	Budget Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property and other local taxes	$ 307,358	$ 310,532	$ 310,532	$ -
Municipal income taxes	2,900,000	3,018,513	3,018,513	-
Intergovernmental revenue	297,120	261,835	261,835	-
Charges for services	326,550	313,156	314,142	986
Fines, licenses, and permits	198,800	162,808	162,987	179
Interest	7,500	71,633	72,396	763
Miscellaneous	510,626	582,015	582,015	-
Total revenues	4,547,954	4,720,492	4,722,420	1,928
Expenditures				
Current				
Security of persons and property	2,411,864	2,410,640	2,246,779	163,861
Public health and welfare	66,300	74,815	55,613	19,202
Leisure time activities	303,664	326,667	297,718	28,949
Community environment	137,330	183,645	117,085	66,560
General government	1,588,360	2,043,093	1,771,983	271,110
Capital outlay	158,972	873,976	457,048	416,928
Debt service				
Principal	311,000	276,470	243,356	33,114
Bond principal	40,000	40,000	40,000	-
Capital lease principal	5,850	5,640	5,637	3
Interest and fiscal charges	13,830	44,775	35,601	9,174
Total expenditures	5,037,170	6,279,721	5,270,820	1,008,901
Excess (deficiency) of revenues over expenditures	(489,216)	(1,559,229)	(548,400)	1,010,829
Other financing sources (uses)				
Transfers-in	15,000	40,190	40,190	-
Transfers-out	(15,000)	(40,190)	(40,190)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(489,216)	(1,559,229)	(548,400)	1,010,829
Prior year encumbrances	475,162	475,162	475,162	-
Fund balance, beginning of year	2,155,444	2,155,444	2,155,444	-
Fund balance, end of year	$ 2,141,390	$ 1,071,377	$ 2,082,206	$ 1,010,829

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO

STATEMENT OF FUND NET POSITION -
PROPRIETARY FUNDS

DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets				
Current assets				
Equity in pooled cash	$ 529,806	$ 708,674	$ 87,636	$ 1,326,116
Accounts and other receivable	122,287	149,443	39,688	311,418
Due from other governments	13,868	-	-	13,868
Prepaid expenses	3,700	3,700	100	7,500
Total current assets	669,661	861,817	127,424	1,658,902
Noncurrent assets				
Special assessments receivable	-	-	52,228	52,228
Nondepreciable capital assets	-	63,599	120,410	184,009
Depreciable capital assets, net	1,805,237	760,714	4,510,366	7,076,317
Total noncurrent assets	1,805,237	824,313	4,683,004	7,312,554
Total assets	2,474,898	1,686,130	4,810,428	8,971,456
Deferred outflows of resources				
Pension	39,308	62,726	16,308	118,342
OPEB	7,451	11,891	3,092	22,434
Total deferred outflows of resources	46,759	74,617	19,400	140,776
Liabilities				
Current				
Accounts and contracts payable	38,330	13,119	789	52,238
Accrued wages and benefits	8,242	8,242	2,404	18,888
Accrued interest payable	7,300	-	1,000	8,300
Due to other governments	2,290	7,176	1,188	10,654
OPWC loans payable	-	-	22,240	22,240
OWDA loans payable	21,942	15,440	-	37,382
General obligation bonds payable	-	-	115,000	115,000
Capital leases	57,013	-	-	57,013
Total current liabilities	135,117	43,977	142,621	321,715
Long-term liabilities				
OPWC loans payable	-	-	67,111	67,111
OWDA loans payable	523,151	283,684	-	806,835
General obligation bonds payable	-	-	235,923	235,923
Capital leases	776,468	-	-	776,468
Accrued leave benefits	24,699	37,048	3,323	65,070
Net pension liability	156,611	249,911	64,977	471,499
Net OPEB liability	101,260	161,586	42,012	304,858
Total long-term liabilities	1,582,189	732,229	413,346	2,727,764
Total liabilities	1,717,306	776,206	555,967	3,049,479
Deferred inflows of resources				
Pension	41,024	65,463	17,020	123,507
OPEB	7,643	12,196	3,171	23,010
Total deferred inflows of resources	48,667	77,659	20,191	146,517
Net position				
Net investment in capital assets	426,663	525,189	4,186,425	5,138,277
Unrestricted	329,021	381,693	67,245	777,959
Total net position	$ 755,684	$ 906,882	$ 4,253,670	$ 5,916,236

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, 2018

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues				
Charges for services	$ 982,583	$ 1,020,418	$ 289,060	$ 2,292,061
Miscellaneous	5,085	5,085	2,328	12,498
Total operating revenues	987,668	1,025,503	291,388	2,304,559
Operating expenses				
Personal services	273,023	403,247	104,705	780,975
Contractual services	499,947	651,004	3,845	1,154,796
Supplies and materials	19,487	46,442	5,179	71,108
Other operating	21,189	9,640	37,283	68,112
Depreciation	63,726	38,412	153,049	255,187
Total operating expenses	877,372	1,148,745	304,061	2,330,178
Operating income (loss)	110,296	(123,242)	(12,673)	(25,619)
Nonoperating revenues (expenses)				
Intergovernmental revenue	13,868	-	-	13,868
Interest and fiscal charges	(53,702)	(4,180)	(16,654)	(74,536)
Net nonoperating revenues (expenses)	(39,834)	(4,180)	(16,654)	(60,668)
Income before transfers	70,462	(127,422)	(29,327)	(86,287)
Transfers out	-	-	(6,045)	(6,045)
Change in net position	70,462	(127,422)	(35,372)	(92,332)
Net position, beginning of year, restated	685,222	1,034,304	4,289,042	6,008,568
Net position, end of year	$ 755,684	$ 906,882	$ 4,253,670	$ 5,916,236

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, 2018

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Receipts from customers and users	$ 969,135	$ 1,012,500	$ 284,588	$ 2,266,223
Cash paid to suppliers for materials and supplies	(22,181)	(51,270)	(6,824)	(80,275)
Cash paid for employee services and benefits	(257,952)	(345,513)	(93,418)	(696,883)
Cash paid for contractual services	(493,368)	(678,387)	(3,845)	(1,175,600)
Other operating revenues	5,085	5,085	2,328	12,498
Other operating expenses	(22,553)	(11,449)	(38,783)	(72,785)
Net cash provided by (used in) operating activities	178,166	(69,034)	144,046	253,178
Cash flows from capital and related financing activities:				
Proceeds from OWDA loans payable	50,025	-	-	50,025
Special assessments	-	-	9,579	9,579
Payment on capital lease	(55,075)	-	-	(55,075)
OPWC loans payments	-	-	(22,238)	(22,238)
OWDA loan payment	(24,623)	(15,536)	-	(40,159)
Bond principal payments		-	(105,000)	(105,000)
Payment of interest and fiscal charges	(54,202)	(4,180)	(15,595)	(73,977)
Acquisition of fixed assets	-	(60,099)	(28,450)	(88,549)
Net cash (used in) capital and related financing activities	(83,875)	(79,815)	(161,704)	(325,394)
Cash flows from noncapital financing activities:				
Transfers out	-	-	(6,045)	(6,045)
Net cash (used in) noncapital financing activities	-	-	(6,045)	(6,045)
Net increase (decrease) in equity in pooled cash	94,291	(148,849)	(23,703)	(78,261)
Equity in pooled cash, beginning of year	435,515	857,523	111,339	1,404,377
Equity in pooled cash, end of year	$ 529,806	$ 708,674	$ 87,636	$ 1,326,116

(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, 2018

(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 110,296	$ (123,242)	$ (12,673)	$ (25,619)
Adjustments:				
Depreciation	63,726	38,412	153,049	255,187
(Increase) decrease in assets:				
Accounts and other receivable	(13,448)	(7,918)	(4,472)	(25,838)
Prepaid expenses	2,000	4,000	-	6,000
Decrease in deferred outflows of resources - pension	58,676	73,094	19,586	151,356
(Increase) in deferred outflows of resources - OPEB	(6,130)	(9,784)	(2,543)	(18,457)
Increase (decrease) in liabilities:				
Accounts and contracts payable	2,394	(34,147)	(3,145)	(34,898)
Accrued wages and benefits	1,622	(1,360)	(637)	(375)
Due to other governments	(817)	2,561	(289)	1,455
Accrued leave benefits	4,365	6,547	1,168	12,080
Net pension liability	(96,137)	(100,433)	(27,614)	(224,184)
Net OPEB liability	7,076	11,293	2,936	21,305
Increase in deferred inflows of resources - pension	36,900	59,747	15,509	112,156
Increase in deferred inflows of resources - OPEB	7,643	12,196	3,171	23,010
Net cash provided by (used in) operating activities	$ 178,166	$ (69,034)	$ 144,046	$ 253,178

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

DECEMBER 31, 2018

		Agency Funds
Assets		
Equity in pooled cash	$	61,856
Cash and investments with fiscal agents		7,266
Property taxes receivable		468,400
Due from other governments		21,900
Total assets	$	559,422
Liabilities		
Due to others	$	69,122
Due to other governments		490,300
Total liabilities	$	559,422

See accompanying notes to the basic financial statements.

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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.

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. The City only has agency funds under this category.

B. FUND ACCOUNTING

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

Governmental Funds

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

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.

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

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 trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency funds account for assets of the Domonkas Library, mayor's court collections, and deposits from citizens, contractors and developers.

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.

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 revenue 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.

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 deferred charges on refunding, 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, 2018, but which were levied to finance fiscal year 2019 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 23. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriations amounts passed by Council during the year.

F. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash" on the balance sheet. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly balances. Interest revenue credited to the General Fund during the year amounted to $ 87,222 of which $ 34,645 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, 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. However, twenty-four hours advance notice to Public Funds Administrators is appreciated for deposits and withdrawals of $ 25 million or more. STAR Ohio reserves the right to limit the transactions to $ 100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $ 100 million limit. All accounts of the participant will be combined for these purposes.

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:

Description	Estimated Lives
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 fair market 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.

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 $ 2,794,017 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.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council.

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

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. OPERATING REVENUES AND EXPENSES

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

P. CONTRIBUTIONS OF CAPITAL

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

Q. INTERFUND ACTIVITY

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. PENSIONS / OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

S. EXTRAORDINARY AND SPECIAL ITEMS

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

T. USE OF ESTIMATES

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

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

A. CHANGE IN ACCOUNTING PRINCIPLES

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus* 2017, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement required a restatement of net position as reported December 31, 2017.

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

B. RESTATEMENT OF NET POSITION

Net position of governmental and business-type activities at December 31, 2017 have been restated for the implementation of GASB 75. The effect of the restatement is as follows:

	Governmental Activities	Business-type Activities
Net position December 31, 2017	$12,354,293	$ 6,288,145
Adjustments:		
Net OPEB liability	(3,946,066)	(283,553)
Deferred outflow - payments subsequent to measurement date	17,385	3,976
Restated net position December 31, 2017	$ 8,425,612	$ 6,008,568

	Water	Sewer	Storm Water	Total Enterprise
Net position December 31, 2017	$ 778,085	$ 1,182,490	$ 4,327,570	$ 6,288,145
Adjustments:				
Net OPEB liability	(94,184)	(150,293)	(39,076)	(283,553)
Deferred outflow - payments subsequent to measurement date	1,321	2,107	548	3,976
Restated net position December 31, 2017	$ 685,222	$ 1,034,304	$ 4,289,042	$ 6,008,568

Other than employer contributions subsequent to the measurement date, the City made no restatement for OPEB deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

C. RESTATEMENT OF FUND BALANCE

Fund balance of governmental funds at December 31, 2017 has been restated to correctly present a tax anticipation note as a fund liability in non-major governmental funds. The effect of the restatement is as follows:

	General	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Fund balance December 31, 2017	$ 2,893,291	$ 1,192,147	$ 366,379	$ 4,451,817
Adjustments:				
Tax anticipation note	-	-	(363,405)	(363,405)
Restated fund balance December 31, 2017	$ 2,893,291	$ 1,192,147	$ 2,974	$ 4,088,412

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
	General Fund
Budget basis	$ (548,400)
Adjustments, increase (decrease)	
Revenue accruals	91,700
Expenditure accruals	344,801
Funds budgeted elsewhere **	(7,294)
Encumbrances	464,422
GAAP basis, as reported	$ 345,229

** As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, the Refuse Fund is legally budgeted in a separate special revenue fund but is considered part of the General Fund on a GAAP basis.

NOTE 5 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below:

	General Fund	Shoreway Capital Project Fund	Other Governmental Funds	Total
Nonspendable:				
Inventories and supplies	$ 10,792	$ -	$ 17,433	$ 28,225
Prepaid expenses	60,142	-	5,000	65,142
Shoreway capital project	-	1,230,867	-	1,230,867
Total nonspendable	70,934	1,230,867	22,433	1,324,234
Restricted for:				
Debt service	-	-	8,238	8,238
Highways and streets	-	-	110,094	110,094
Public safety	-	-	30,829	30,829
Recreation	-	-	10,477	10,477
Community environment	-	-	15,366	15,366
Other	-	-	822	822
Total restricted	-	-	175,826	175,826
Assigned for:				
Encumbrances	310,510	-	-	310,510
Next year's appropriations	1,255,371	-	-	1,255,371
Refuse services	124,631	-	-	124,631
Total assigned	1,690,512	-	-	1,690,512
Unassigned	1,477,074	-	(525,805)	951,269
Total fund balances	$ 3,238,520	$ 1,230,867	$ (327,546)	$ 4,141,841

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.

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 $ 407,544 and the bank balance was $ 461,101. Of the bank balance, $ 250,000 was covered by federal depository insurance and $ 211,101 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, 2018 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.

	Maturities	Fair Value
STAR Ohio	44.9 days	$ 3,852,410

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, 2018. 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).

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, 2018 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 2018 for real and public utility property taxes represents collections of the 2017 taxes. Property tax payments received during 2018 for tangible personal property (other than public utility property) is for 2018 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018 was $ 19.36 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	$ 144,884,570
Commercial/industrial	22,118,050
Tangible personal property	
Public utilities	2,610,910
Total valuation	$ 169,613,530

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, 2018 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 2018 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	$ 96,550
Gasoline tax	215,300
Permissive tax	50,946
Homestead and rollback	74,900
Miscellaneous	57,084
Total governmental activities	494,780
Business-Type Activities	
OWDA Grant	13,868
Agency Fund	
Homestead and rollback	21,900
Total due from other governments	$ 530,548

NOTE 8 CAPITAL ASSETS

A summary of changes in capital assets during 2018 follows:

	Balance January 1	Additions	Disposals	Balance December 31
Governmental activities				
Capital assets, not being depreciated				
Land	$ 484,539	$ -	$ -	$ 484,539
Construction in progress	9,033	64,405	-	73,438
Total capital assets, not being depreciated	493,572	64,405	-	557,977
Capital assets, being depreciated				
Buildings and improvements	4,307,629	258,730	-	4,566,359
Equipment and vehicles	2,976,807	288,639	-	3,265,446
Infrastructure	38,698,438	-	-	38,698,438
Total capital assets being depreciated	45,982,874	547,369	-	46,530,243
Less accumulated depreciation				
Buildings and improvements	1,665,711	80,573	-	1,746,284
Equipment and vehicles	1,663,683	146,927	-	1,810,610
Infrastructure	30,825,250	402,489	-	31,227,739
Total accumulated depreciation	34,154,644	629,989	-	34,784,633
Total capital assets being depreciated, net	11,828,230	(82,620)	-	11,745,610
Total governmental capital assets, net	$ 12,321,802	$ (18,215)	$ -	$ 12,303,587
Business-type activities				
Capital assets, not being depreciated				
Land	$ 153,910	$ -	$ -	$ 153,910
Construction in progress	-	30,099	-	30,099
Total capital assets, not being depreciated	153,910	30,099	-	184,009
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	1,649,564	58,450	-	1,708,014
Infrastructure	12,751,079	-	-	12,751,079
Total capital assets being depreciated	14,551,461	58,450	-	14,609,911
Less accumulated depreciation				
Buildings and improvements	50,373	2,715	-	53,088
Equipment and vehicles	539,144	63,679	-	602,823
Infrastructure	6,688,890	188,793	-	6,877,683
Total accumulated depreciation	7,278,407	255,187	-	7,533,594
Total capital assets being depreciated, net	7,273,054	(196,737)	-	7,076,317
Total business-type capital assets, net	$ 7,426,964	$ (166,638)	$ -	$ 7,260,326

NOTE 8 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	$ 95,791
Leisure time activities	60,406
Basic utility services	24,350
Transportation	420,415
General government	29,027
	$ 629,989

NOTE 9 NOTES PAYABLE

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

	Restated Balance January 1	Additions	Reductions	Balance December 31
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Shoreway Capital Project fund				
2.25% issued 10/27/17 due 10/26/18	$ 2,745,000	$ -	$ 2,745,000	$ -
Safety service equipment				
1.90% issued 8/11/17 due 8/10/18	185,000	-	185,000	-
Safety service building improvements				
1.90% issued 8/11/17 due 8/10/18	35,000	-	35,000	-
City building improvements				
1.90% issued 8/11/17 due 8/10/18	30,000	-	30,000	-
Shoreway Capital Project fund				
3.84% issued 10/25/18 due 10/24/19	-	2,700,000	-	2,700,000
Various purpose				
3.24% issued 8/10/18 due 8/9/19	-	410,000	-	410,000
Tax anticipation note				
Street improvements				
4.78% issued 4/12/07 due 4/1/27	361,905	-	40,000	321,905
	$ 3,356,905	$ 3,110,000	$ 3,035,000	$ 3,431,905

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
Governmental activities				
General obligation bonds				
Street improvements	2003	2018	3.60 - 5.00%	$ 1,200,000
Street improvements	1998	2018	5.00 - 5.20%	500,000
Bond anticipation notes	2017	2018	1.90%	350,000
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	0.000%	235,500
Business-type activities				
General obligation bonds				
Storm water improvements	2011	2021	1.00 - 3.70%	1,575,000
Ohio Public Works loan	2000	2020	0.00%	124,842
Ohio Public Works loan	2003	2024	0.00%	140,949
Ohio Public Works loan	2003	2024	0.00%	81,187
Ohio Public Works loan	2003	2024	0.00%	97,793
Ohio Water Development Authority loan	2016	2036	1.310%	337,586
Ohio Water Development Authority loan	2017	2037	3.530%	531,683

NOTE 10 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2018 were as follows:

	Restated Balance January 1	Additions	Reductions	Balance December 31	Due in One Year
Governmental activities					
General obligation bonds					
Street improvement (2003) 3.60% - 5.00% through 2018	$ 105,000	$ -	$ 105,000	$ -	$ -
Street improvement (1998) 5.00% - 5.20% through 2018	40,000	-	40,000	-	-
Total general obligation bonds	145,000	-	145,000	-	-
Net pension liability					
OPERS	1,806,772	-	612,199	1,194,573	-
OP&F	4,306,862	-	102,953	4,203,909	-
Total net pension liability	6,113,634	-	715,152	5,398,482	-
Net OPEB liability					
OPERS	718,401	53,980	-	772,381	-
OP&F	3,227,665	653,222	-	3,880,887	-
Total net OPEB liability	3,946,066	707,202	-	4,653,268	-
Bond anticipation notes	350,000	-	350,000	-	-
911 system improvement note	32,887	-	5,471	27,416	5,471
OPWC loans	447,241	-	32,712	414,529	32,712
Capital leases	166,413	-	51,406	115,007	53,039
Accrued leave benefits	1,095,336	211,322	150,577	1,156,081	160,335
Total governmental activities	$ 12,296,577	$ 918,524	$ 1,450,318	$ 11,764,783	$ 251,557

NOTE 10 LONG-TERM DEBT (continued)

	Restated Balance January 1	Additions	Reductions	Balance December 31	Due in One Year
Business-type activities					
General obligation bonds					
Storm water improvement					
1.00% - 3.70%					
through 2021	$ 460,000	$ -	$ 105,000	$ 355,000	$ 115,000
Premium	(5,436)	-	(1,359)	(4,077)	-
Total general obligation bonds	454,564	-	103,641	350,923	115,000
Net pension liability - OPERS					
Water	252,748	-	96,137	156,611	-
Sewer	350,344	-	100,433	249,911	-
Storm Water	92,591	-	27,614	64,977	-
Total net pension liability	695,683	-	224,184	471,499	-
Net OPEB liability - OPERS					
Water	94,184	7,076	-	101,260	-
Sewer	150,293	11,293	-	161,586	-
Storm Water	39,076	2,936	-	42,012	-
Total net OPEB liability	283,553	21,305	-	304,858	-
OPWC loans	111,589	-	22,238	89,351	22,240
OWDA loans	834,351	50,025	40,159	844,217	37,382
Capital leases	888,556	-	55,075	833,481	57,013
Accrued leave benefits	52,990	12,080	-	65,070	-
Total business-type activities	$ 3,321,286	$ 83,410	$ 445,297	$ 2,959,399	$ 231,635

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 the General Fund and the Roads-Income Tax Fund. The storm water 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, 2018, excluding accrued leave benefits, are as follows:

NOTE 10 LONG-TERM DEBT (continued)

	Governmental Activities		
Year	911 System Improvement Note Principal	OPWC Loans Principal	Total Principal
2019	$ 5,471	$ 32,712	$ 38,183
2020	5,471	32,712	38,183
2021	5,471	32,712	38,183
2022	11,003	32,712	43,715
2023	-	32,711	32,711
2024-2028	-	157,341	157,341
2029-2033	-	93,629	93,629
	$ 27,416	$ 414,529	$ 441,945

	Business-Type Activities						
	General Obligation Bonds		OPWC Loans	OWDA Loan		Total	
Year	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2019	$ 115,000	$ 12,446	$ 22,240	$ 37,382	$ 22,118	$ 174,622	$ 34,564
2020	115,000	8,650	19,119	37,561	21,941	171,680	30,591
2021	125,000	4,624	15,997	38,551	20,951	179,548	25,575
2022	-	-	15,997	39,571	19,931	55,568	19,931
2023	-	-	15,998	40,622	18,880	56,620	18,880
2024-2028	-	-	-	220,069	77,439	220,069	77,439
2029-2033	-	-	-	251,766	45,739	251,766	45,739
2034-2037	-	-	-	178,695	10,386	178,695	10,386
	$ 355,000	$ 25,720	$ 89,351	$ 844,217	$ 237,385	$ 1,288,568	$ 263,105

NOTE 11 CAPITAL LEASES

The City is obligated under certain leases accounted for as a capital leases. The leased assets are included in capital assets and the related obligations are included under long-term debt. At December 31, 2018, assets under capital lease totaled $ 222,549 in governmental activities and $ 993,150 in business-type activities, with related accumulated depreciation of $ 26,891 and $ 89,384, 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, 2018.

Year Ending December 31,	Governmental-type Activities	Business-type Activities
2019	$ 56,509	$ 85,609
2020	32,329	85,609
2021	32,329	85,609
2022	-	85,609
2023	-	85,609
2024-2028	-	428,044
2029-2030	-	171,218
Total minimum lease payments	121,167	1,027,307
Less amount representing interest	(6,160)	(193,826)
Net present value of minimum lease payments	$ 115,007	$ 833,481

NOTE 12 OPERATING LEASES

The City is obligated under leases accounted for as operating leases. Total lease expense for the year ended December 31, 2018 was $ 12,773. The following is a schedule of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2018.

Year ending December 31	Amount
2019	$ 12,773
2020	7,366
2021	5,488
2022	626
Total minimum payments	$ 26,253

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.

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

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

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and service requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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
2018 Statutory maximum contribution rates	
Employer	14.0%
Employee	10.0%
2018 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 $ 209,809 for 2018. Of this amount, $ 30,908 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 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

	Police	Firefighters
2018 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2018 Actual contribution rates		
Employer		
Pension	19.00%	23.50%
Post-employment health care benefits	0.50%	0.50%
Total employer	19.50%	24.00%
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was $ 330,756 for 2018. Of this amount $ 57,273 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, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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:

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)

	OPERS	OP&F	Total
Proportionate share of the net pension liability	$ 1,666,072	$ 4,203,909	$ 5,869,981
Pension expense	$ 320,982	$ 518,508	$ 839,490
Proportion of the net pension liability			
Prior measurement date	0.0110200%	0.0679970%	
Current measurement date	0.0106200%	0.0684960%	
Change in proportionate share	0.0004000%	-0.0004990%	

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred outflows of resources			
Difference between expected and actual experience	$ 1,701	$ 63,797	$ 65,498
Change in assumptions	199,106	183,186	382,292
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	7,560	147,241	154,801
City contributions subsequent to the measurement date	209,809	330,756	540,565
Total deferred outflows of resources	$ 418,176	$ 724,980	$ 1,143,156
Deferred inflows of resources			
Difference between expected and actual experience	$ 32,833	$ 7,605	$ 40,438
Net difference between projected and actual earnings on pension plan investments	357,684	145,423	503,107
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	45,904	57,869	103,773
Total deferred inflows of resources	$ 436,421	$ 210,897	$ 647,318

$ 540,565 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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
2019	$ 130,857	$ 123,458	$ 254,315
2020	(54,428)	85,225	30,797
2021	(157,505)	(67,498)	(225,003)
2022	(146,978)	(24,756)	(171,734)
2023	-	54,509	54,509
Thereafter	-	12,389	12,389
Total	$ (228,054)	$ 183,327	$ (44,727)

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, 2017, 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:

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent (includes wage inflation at 3.25%)
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost	Individual Entry Age

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 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. 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 Defined Benefit portfolio was 16.82% for 2017.

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 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00%	2.20%
Domestic equities	19.00%	6.37%
Real estate	10.00%	5.26%
Private equity	10.00%	8.97%
International equities	20.00%	7.88%
Other investments	18.00%	5.26%
Total	100.00%	5.66%

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$ 2,958,520	$ 1,666,072	$ 588,560

Changes between Measurement Date and Report Date - In October 2018, the OPERS Board voted to lower the investment return assumption for its defined benefit fund from 7.5% to 7.2%. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net position is not known.

F- ACTUARIAL ASSUMPTIONS – OPF

The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Based on the experience study completed as of December 31,2016, changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful live of the participants which was 6.24 years at December 31,2017.

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, 2017, are presented below:

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
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 Adjustments	3.00 percent simple; 2.2 simple for increases based on the lesser of the increase in CPI and 3%
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus

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 Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

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

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent 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%

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. 2017 are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and cash equivalents	0.00%	0.00%
Domestic equity	16.00%	5.21%
Non-US equity	16.00%	5.40%
Core fixed income *	20.00%	2.37%
Global inflation protected *	20.00%	2.33%
High yield	15.00%	4.48%
Real estate	12.00%	5.65%
Private markets	8.00%	7.99%
Real assets	5.00%	6.87%
Master limited partnerships	8.00%	7.36%
Total	120.00%	

Note: Assumptions are geometric * levered 2x

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

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

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	$ 5,827,720	$ 4,203,909	$ 2,879,542

NOTE 14 – DEFINED BENEFIT OPEB PLANS

A. NET OPEB LIABILITY

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

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

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

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

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

A. NET OPEB LIABILITY (continued)

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

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

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $ 0 for 2018.

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 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.

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 2018, 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 $ 7,628 for 2018. Of this amount, $ 1,289 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate share of the net OPEB liability	$ 1,077,239	$ 3,880,887	$ 4,958,126
OPEB expense	$ 91,368	$ 311,220	$ 402,588
Proportion of the net OPEB liability			
Prior measurement date	0.0102714%	0.0679970%	
Current measurement date	0.0099200%	0.0684960%	
Change in proportionate share	0.0003514%	-0.0004990%	

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

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

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred outflows of resources			
Difference between expected and actual experience	$ 839	$ -	$ 839
Change in assumptions	78,434	378,692	457,126
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	-	15,742	15,742
City contributions subsequent to the measurement date	-	7,628	7,628
Total deferred outflows of resources	$ 79,273	$ 402,062	$ 481,335
Deferred inflows of resources			
Difference between expected and actual experience	$ -	$ 19,574	$ 19,574
Net difference between projected and actual earnings on pension plan investments	80,247	25,546	105,793
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	1,060	-	1,060
Total deferred inflows of resources	$ 81,307	$ 45,120	$ 126,427

$ 7,628 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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2019	$ 17,332	$ 48,418	$ 65,750
2020	17,332	48,418	65,750
2021	(16,637)	48,418	31,781
2022	(20,061)	48,418	28,357
2023	-	54,804	54,804
Thereafter	-	100,838	100,838
Total	$ (2,034)	$ 349,314	$ 347,280

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, 2016, rolled forward to the measurement date of December 31, 2017. 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:

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent
Investment Rate of Return	6.5 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent initial
	3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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.

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

During 2017, 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 health care-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 is 15.2 percent for 2017.

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 2017 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%	1.88%
Domestic equities	21.00%	6.37%
Real estate investment trust	6.00%	5.91%
International equities	22.00%	7.88%
Other investments	17.00%	5.39%
Total	100.00%	4.98%

Discount Rate - A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net pension liability	$ 1,431,158	$ 1,077,239	$ 790,922

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 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 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net pension liability	$ 1,030,688	$ 1,077,239	$ 1,125,325

Changes between Measurement Date and Report Date - In October 2018, the OPERS Board voted to lower the investment return assumption for its health care investment portfolio from 6.5% to 6.0%. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net position is not known.

F. ACTUARIAL ASSUMPTIONS – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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.

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OP&F (continued)

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

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

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

Valuation Date	January 1, 2017, with actuarial liabilities forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent
Single Discount Rate:	3.25 percent
Current Measurement Date	3.24 percent
Prior Measurement Date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increase based on the lesser of the increase in CPI and 3 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 Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

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 Conduent Modified 2016 Improvement Scale.

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and cash equivalents	0.00%	0.00%
Domestic equity	16.00%	5.21%
Non-US equity	16.00%	5.40%
Core fixed income *	20.00%	2.37%
Global inflation protected *	20.00%	2.33%
High yield	15.00%	4.48%
Real estate	12.00%	5.65%
Private markets	8.00%	7.99%
Timber	5.00%	6.87%
Master limited partnerships	8.00%	7.36%
Total	120.00%	

Note: Assumptions are geometric   * levered 2x

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OP&F (continued)

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

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 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 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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 3.24 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 (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net pension liability	$ 4,851,156	$ 3,880,887	$ 3,134,308

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and later	4.50%	4.50%	4.50%	4.50%	5.00%

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OP&F (continued)

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net pension liability	$ 3,014,743	$ 3,880,887	$ 5,048,157

G. CHANGES BETWEEN MEASUREMENT DATE AND REPORT DATE

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City’s NOL is not known.

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, 2018, 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, 2018.

NOTE 17 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2018 consisted of the following transfers from the General Fund:

	Transfer to:		
Transfer from:	Shoreway Capital Project Fund	Non-major Governmental Funds	Total
General Fund	$ 46,012	$ 136,400	$ 182,412
Non-major Governmental Funds	-	125,500	125,500
Storm Water Fund	-	6,045	6,045
	$ 46,012	$ 267,945	$ 313,957

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

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

A. LORAIN COUNTY GENERAL HEALTH DISTRICT

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

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS (continued)

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL (continued)

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 2018. Financial information can be obtained by contacting the Chuck Keiper, Executive Director, 31320 Solon Road, Suite 33, Solon, Ohio 44139.

NOTE 19 CONTINGENCIES

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

NOTE 20 COMPLIANCE AND ACCOUNTABILITY

Not apparent in the basic financial statements are deficit fund balances in the Roads Income Tax Fund, Capital Improvement Fund and Bond Construction Fund of $ 112,558, $ 59,467 and $ 353,780, respectively. These deficits result from reflecting short-term tax anticipation and bond anticipation notes on the modified accrual basis.

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, 2018 have varying lease terms through 2024. All leases include renewal options that are not reflected in the amounts noted here. The Shoreway Shopping Center is accounted for as property held for resale at a cost of $ 4,407,888. Rental income from the leases totaled $ 420,167 during the year ended December 31, 2018. Future minimum rentals to be received under these leases as of December 31, 2018 are as follows:

Year ending December 31	Amount
2019	$ 366,160
2020	303,433
2021	282,603
2022	256,702
2023	204,447
2024	53,100
	$ 1,466,445

NOTE 22 SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS (1)

	2017	2016	2015	2014
City's proportion of the net pension liability	0.0106200%	0.0110200%	0.0108490%	0.011403%
City's proportionate share of the net pension liability	$ 1,666,072	$ 2,502,455	$ 1,878,800	$ 1,375,015
City's covered payroll	$ 1,404,869	$ 1,473,055	$ 1,353,132	$ 1,400,930
City's proportionate share of the net pension liability as a percentage of its covered payroll	118.59%	169.88%	138.85%	98.15%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%

(1) Information prior to 2013 is not available

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

See notes to required supplementary information.

2013
0.011403%
$ 1,344,179
$ 1,332,876
100.85%
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 FIVE YEARS (1)

	2017	2016	2015	2014
City's proportion of the net pension liability	0.0684960%	0.0679970%	0.0647790%	0.0668390%
City's proportionate share of the net pension liability	$ 4,203,909	$ 4,306,862	$ 4,167,279	$ 3,547,890
City's covered payroll	$ 1,462,407	$ 1,422,505	$ 1,302,997	$ 1,250,429
City's proportionate share of the net pension liability as a percentage of its covered payroll	287.47%	302.77%	319.82%	283.73%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	71.71%

(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.

2013
0.0668390%
$ 3,255,269
$ 1,311,619
248.19%
73.00%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS (1)

	2018	2017	2016	2015
Contractually required contribution	$ 209,809	$ 182,633	$ 176,766	$ 162,376
Contributions in relation to the contractually required contributions	(209,809)	(182,633)	(176,766)	(162,376)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City covered payroll	$ 1,498,635	$ 1,404,869	$ 1,473,055	$ 1,353,132
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%

(1) Information prior to 2013 is not available

See notes to required supplementary information.

2014	2013
$ 168,112	$ 173,274
(168,112)	(173,274)
$ -	$ -
$ 1,400,930	$ 1,332,876
12.00%	13.00%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 330,756	$ 316,853	$ 309,671	$ 284,869
Contributions in relation to the contractually required contributions	(330,756)	(316,853)	(309,671)	(284,869)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City covered payroll	$ 1,525,515	$ 1,462,407	$ 1,422,505	$ 1,302,997
Contributions as a percentage of covered payroll	21.68%	21.67%	21.77%	21.86%

See notes to required supplementary information.

2014		2013		2012		2011		2010		2009	
$	274,427	$	205,354	$	227,286	$	220,550	$	211,219	$	249,927
	(274,427)		(205,354)		(227,286)		(220,550)		(211,219)		(249,927)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,250,429	$	1,311,619	$	1,464,683	$	1,426,637	$	1,371,051	$	1,627,395
	21.95%		15.66%		15.52%		15.46%		15.41%		15.36%

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS (1)

	2017	2016
City's proportion of the net OPEB liability	0.0099200%	0.0102714%
City's proportionate share of the net OPEB liability	$ 1,077,239	$ 1,001,954
City's covered payroll	$ 1,404,869	$ 1,473,055
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.68%	68.02%
Plan fiduciary net position as a percentage of the total OPEB liability	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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO POLICE AND FIRE PENSION FUND

LAST TWO YEARS (1)

	2017	2016
City's proportion of the net pension liability	0.0684960%	0.0679970%
City's proportionate share of the net pension liability	$ 3,880,887	$ 3,227,665
City's covered payroll	$ 1,462,407	$ 1,422,505
City's proportionate share of the net pension liability as a percentage of its covered payroll	265.38%	226.90%
Plan fiduciary net position as a percentage of the total pension liability	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 THREE YEARS (1)

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

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

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

See notes to required supplementary information.

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CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 7,628	$ 7,312	$ 7,098	$ 6,515
Contributions in relation to the contractually required contributions	(7,628)	(7,312)	(7,098)	(6,515)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City covered payroll	$ 1,525,515	$ 1,462,407	$ 1,422,505	$ 1,302,997
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

See notes to required supplementary information.

2014	2013	2012	2011	2010	2009
$ 6,252	$ 47,602	$ 98,866	$ 96,298	$ 92,546	$ 109,800
(6,252)	(47,602)	(98,866)	(96,298)	(92,546)	(109,800)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,250,429	$ 1,311,619	$ 1,464,683	$ 1,426,637	$ 1,371,051	$ 1,627,395
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%

NOTE 1 PENSIONS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) –

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

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

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

B. OHIO POLICE AND FIRE PENSION FUND

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

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

NOTE 2 OPEB

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) –

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

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

B. OHIO POLICE AND FIRE PENSION FUND

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

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

OHIO AUDITOR OF STATE
KEITH FABER

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2019, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and the City restated its December 31, 2017 net position.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

July 30, 2019

CITY OF SHEFFIELD LAKE

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

December 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Several adjustments and reclassifications required in relation to the reporting of capital assets within the financial statements	Corrected	Special Care was taken for the 2019 financial statements with regard to communication with the accounting team to alleviate these errors.

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF SHEFFIELD LAKE

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 20, 2019