



Dave Yost • Auditor of State

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

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Dave Yost • Auditor of State

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, 2015, 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 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, 2015, 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 the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 24, 2016

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CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

The management's discussion and analysis of the City of Sheffield Lake's (the City) financial performance presents a narrative overview and analysis of the City's financial activities for the year ended December 31, 2015. 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 2015 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 \$ 17,626,699 (net position).

Total net position increased by \$ 1,527,693. This was primarily comprised of increases of \$ 483,995 in net capital assets, \$ 617,281 in equity in pooled cash and \$ 726,400 in income taxes receivable. These increases were offset with an increase in total liabilities of \$ 546,429.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 3,263,417, an increase of \$ 674,776 in comparison with the prior year. Approximately 43 percent of this amount, \$ 1,398,953 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 \$ 1,398,953 or 35 percent of total General Fund expenditures.

The City's total long-term debt obligations increased by \$ 616,891 (7 percent) during the current year.

Overview of Financial Statements

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

Government-wide Financial Statements

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

CITY OF SHEFFIELD LAKE, OHIO
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FOR THE YEAR ENDED DECEMBER 31, 2015
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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, 2015 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.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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The City of Sheffield Lake as a Whole

Analysis of Net Position

The *Statement of Net Position* presents the City as a whole. Following is a summary of the City's net position for 2015 compared to 2014.

	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets						
Current and other assets	\$ 10,476,214	\$ 9,304,895	\$ 1,584,421	\$ 1,360,912	\$ 12,060,635	\$ 10,665,807
Capital assets, net	12,028,029	12,355,736	6,985,207	6,173,505	19,013,236	18,529,241
Total assets	22,504,243	21,660,631	8,569,628	7,534,417	31,073,871	29,195,048
Deferred outflows of resources						
Pension	608,012	398,426	61,868	44,113	669,880	442,539
Liabilities						
Current liabilities	3,219,596	3,309,472	137,609	118,195	3,357,205	3,427,667
Long-term liabilities						
Due within one year	794,199	996,948	248,630	192,238	1,042,829	1,189,186
Due in more than one year						
Net pension liability	4,476,750	4,246,735	360,804	352,713	4,837,554	4,599,448
Other amounts	1,912,472	2,110,381	1,670,550	947,499	3,583,022	3,057,880
Total liabilities	10,403,017	10,663,536	2,417,593	1,610,645	12,820,610	12,274,181
Deferred inflows of resources						
Property taxes	1,267,500	1,264,400	-	-	1,267,500	1,264,400
Pension	22,459	-	6,483	-	28,942	-
Total deferred inflows of resources	1,289,959	1,264,400	6,483	-	1,296,442	1,264,400
Net position						
Net investment in capital assets	10,276,121	10,257,514	5,100,991	5,090,201	15,377,112	15,347,715
Restricted	2,468,461	2,036,407	-	-	2,468,461	2,036,407
Unrestricted	(1,325,303)	(2,162,800)	1,106,429	877,684	(218,874)	(1,285,116)
Total net position	\$ 11,419,279	\$ 10,131,121	\$ 6,207,420	\$ 5,967,885	\$ 17,626,699	\$ 16,099,006

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system 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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$ 13,979,430 to \$ 10,131,121 for governmental activities and from \$ 6,276,485 to \$ 5,967,885 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 \$ 1,878,823 to \$ 31,073,871, primarily due to an increase in income taxes and equity in pooled cash. Current and other assets increased by \$ 1,394,828 to \$ 12,060,635. Current liabilities decreased by \$ 70,462 to \$ 3,357,205 primarily due to a decrease in notes payable. Long-term liabilities increased by \$ 616,891 to \$ 9,463,405. Total net position increased by \$ 1,527,693 to \$ 17,626,699 with governmental net position comprising \$ 11,419,279 and business-type net position comprising \$ 6,207,420 of that amount.

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

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

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 1,164,206	\$ 1,212,436	\$ 2,176,971	\$ 2,163,095	\$ 3,341,177	\$ 3,375,531
Operating grants and contributions	-	79,453	-	-	-	79,453
Capital grants and contributions	1,229	3,450	40,000	-	41,229	3,450
Total program revenues	<u>1,165,435</u>	<u>1,295,339</u>	<u>2,216,971</u>	<u>2,163,095</u>	<u>3,382,406</u>	<u>3,458,434</u>
General revenues						
Property and other local taxes	1,213,183	1,208,386	-	-	1,213,183	1,208,386
Municipal income taxes	3,675,879	2,414,659	-	-	3,675,879	2,414,659
Grants and entitlements	871,986	829,534	-	-	871,986	829,534
Other	730,885	653,394	13,144	11,361	744,029	664,755
Total general revenues	<u>6,491,933</u>	<u>5,105,973</u>	<u>13,144</u>	<u>11,361</u>	<u>6,505,077</u>	<u>5,117,334</u>
Total revenues	<u>7,657,368</u>	<u>6,401,312</u>	<u>2,230,115</u>	<u>2,174,456</u>	<u>9,887,483</u>	<u>8,575,768</u>
Program expenses						
Security of persons and property	2,968,262	2,839,482	-	-	2,968,262	2,839,482
Public health and welfare	34,643	33,900	-	-	34,643	33,900
Leisure time activities	175,645	153,692	-	-	175,645	153,692
Community environment	35,226	171,017	-	-	35,226	171,017
Basic utility services	737,209	717,063	-	-	737,209	717,063
Transportation	1,139,179	1,282,735	-	-	1,139,179	1,282,735
General government	1,183,640	1,123,866	-	-	1,183,640	1,123,866
Interest	95,406	120,520	-	-	95,406	120,520
Water	-	-	807,044	723,826	807,044	723,826
Sewer	-	-	912,789	1,008,417	912,789	1,008,417
Storm water	-	-	270,747	269,612	270,747	269,612
Total program expenses	<u>6,369,210</u>	<u>6,442,275</u>	<u>1,990,580</u>	<u>2,001,855</u>	<u>8,359,790</u>	<u>8,444,130</u>
Increase (decrease) in net position	1,288,158	(40,963)	239,535	172,601	1,527,693	131,638
Net position, beginning of year, as restated	<u>10,131,121</u>	<u>N/A</u>	<u>5,967,885</u>	<u>N/A</u>	<u>16,099,006</u>	<u>N/A</u>
Net position, end of year	<u>\$ 11,419,279</u>	<u>\$ 10,131,121</u>	<u>\$ 6,207,420</u>	<u>\$ 5,967,885</u>	<u>\$ 17,626,699</u>	<u>\$ 16,099,006</u>

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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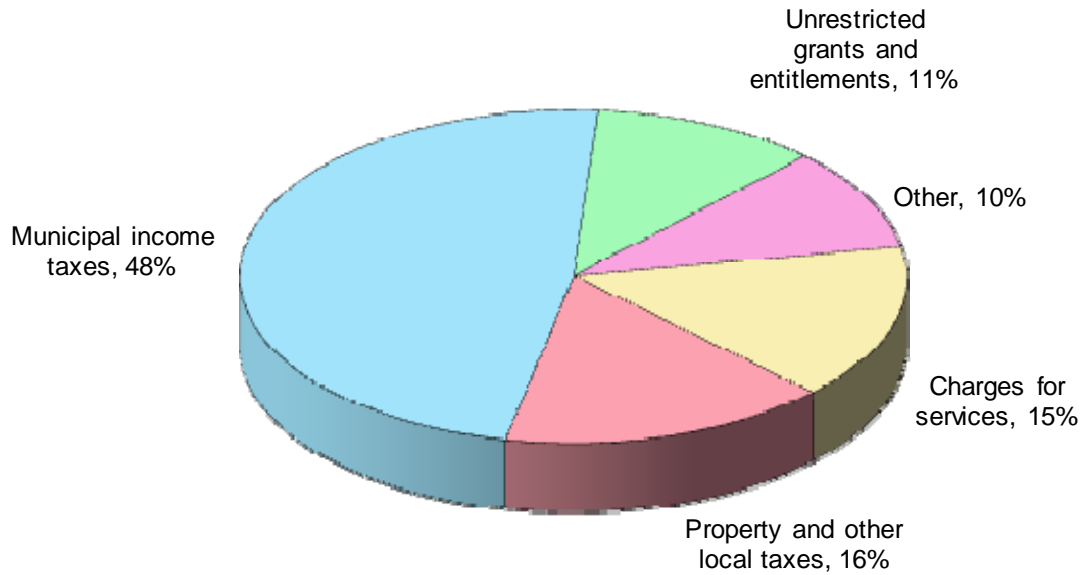
The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$ 442,539 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$ 486,952. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expense under GASB 68	\$ 6,369,210	\$ 1,990,580	\$ 8,359,790
Pension expense under GASB 68	(447,525)	(39,427)	(486,952)
2015 contractually required contribution	404,637	42,608	447,245
Adjusted 2015 program expenses	6,326,322	1,993,761	8,320,083
Total 2014 program expenses under GASB 27	6,442,275	2,001,855	8,444,130
Decrease in program expenses not related to pension	\$ (115,953)	\$ (8,094)	\$ (124,047)

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities

Revenues by source of governmental activities for 2015 were comprised of:

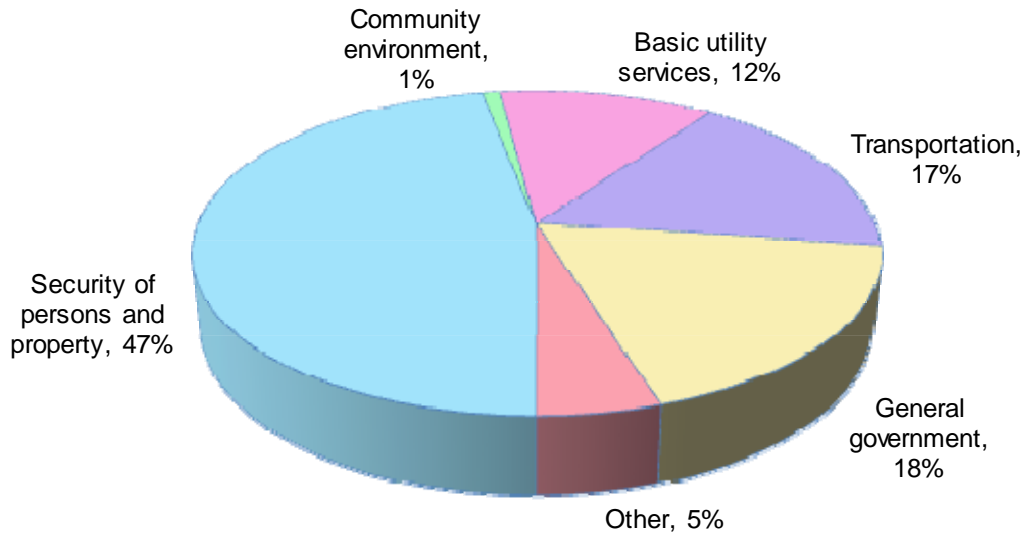


Revenues

For 2015, municipal income taxes, representing 48 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, 15 percent, and 11 percent respectively.

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Program expenses of governmental activities for 2015 were comprised of:



Program expenses

Program expenses amounted to \$ 6,369,210 in 2015, of which \$ 1,165,435 was supported by program revenue. Security of persons and property, which includes police, fire and paramedic services, represented \$ 2,968,262 or 47 percent of total program expenses. Community environment represented \$ 35,226 or 1 percent. Basic utilities services of \$ 737,209 or 12 percent includes refuse collections. Transportation, which includes street maintenance and snow removal, represented \$ 1,139,179 or 17 percent of program expenses. General government represented \$ 1,183,640 or 18 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, leisure time activities, including recreation activities and maintenance of the City's park system, and interest amounted to \$ 305,694 or 5 percent.

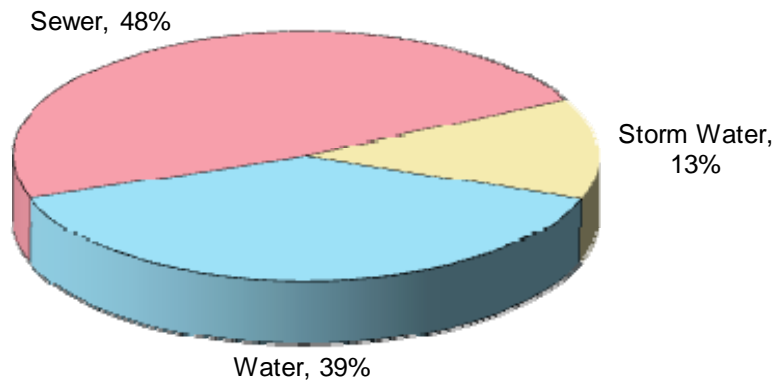
CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business-type activities

Revenues

Charges for services represented 97.6 percent of total revenues for business-type activities in 2015. Revenues for business-type activities for 2015 were comprised of:

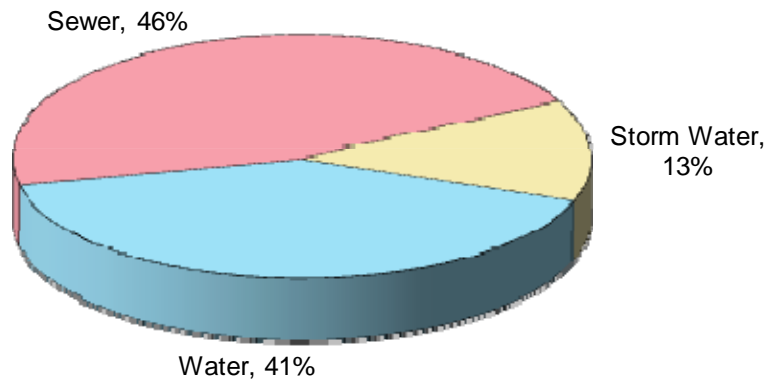
Revenue, Business-type Activities



Expenses

Water operations expenses amounted to \$ 807,044 or 41 percent. Sanitary sewer operations expenses amounted to \$ 912,789 or 46 percent of total program expenses and storm water operation expenses amounted to \$ 270,747 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



CITY OF SHEFFIELD LAKE, OHIO
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The City's Funds

The City's governmental funds financial information begins at page 22. Total assets of governmental funds increased by \$ 1,171,319, total liabilities of governmental funds decreased by \$ 173,071 and deferred inflows of resources increased by \$ 669,614 resulting in an increase in governmental total fund balances of \$ 674,776 to \$ 3,263,417 at year-end 2015. Total governmental funds revenues increased by \$ 750,504 in 2015, while total expenditures increased by \$ 711,001. Total other financing sources (uses) decreased by \$ 98,000. The City's major governmental funds in 2015 consisted of the General Fund and Shoreway Capital Projects Fund. General Fund revenues were \$ 710,113 or 17 percent higher in 2015 than 2014. General Fund total expenditures increased by \$ 243,968 or 6 percent. Other financing sources (uses) changed to (\$ 126,128) in 2015 from (\$ 111,163) in 2014. Accordingly, the General Fund balance increased by \$ 775,054 to \$ 1,773,995 at year-end 2015.

The City's proprietary funds information begins at page 27. Water Fund, Sewer and Storm Water net position increased by \$ 74,727, \$ 141,828 and \$ 22,980 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 \$ 3,380,064 and final budgeted receipts were \$ 3,705,064. Original appropriations (excluding other uses) were \$ 3,632,465. The City actually expended \$ 3,627,822 which was \$ 204,496 less than final appropriations.

The City historically spends less than appropriated. For 2015, actual expenditures were 95 percent of final appropriations.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital Assets

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

	Governmental Activities		Business type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 484,539	\$ 484,539	\$ 153,910	\$ 153,910	\$ 638,449	\$ 638,449
Construction in progress	-	-	993,150	-	993,150	-
Buildings and improvements	2,300,052	2,235,583	105,873	108,588	2,405,925	2,344,171
Equipment and vehicles	920,146	793,408	187,369	195,934	1,107,515	989,342
Infrastructure	8,323,292	8,842,206	5,544,905	5,715,073	13,868,197	14,557,279
	<u>\$ 12,028,029</u>	<u>\$ 12,355,736</u>	<u>\$ 6,985,207</u>	<u>\$ 6,173,505</u>	<u>\$ 19,013,236</u>	<u>\$ 18,529,241</u>

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

The City's total capital assets, net of depreciation, under governmental activities were \$ 12,028,029 at December 31, 2015, which was \$ 327,707 lower than the previous year. Business-type capital assets, net of depreciation, increased by \$ 811,702 to \$ 6,985,207.

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	
	2015	2014	2015	2014	2015	2014
Notes payable	\$ 1,073,785	\$ 1,241,690	\$ -	\$ -	\$ 1,073,785	\$ 1,241,690
OPWC loans	248,123	267,493	156,066	178,304	404,189	445,797
General obligation bonds	430,000	570,000	726,845	895,486	1,156,845	1,465,486
Capital leases	-	19,039	993,150	-	993,150	19,039
	<u>\$ 1,751,908</u>	<u>\$ 2,098,222</u>	<u>\$ 1,876,061</u>	<u>\$ 1,073,790</u>	<u>\$ 3,627,969</u>	<u>\$ 3,172,012</u>

As of December 31, 2015, the City had long-term debt obligations, excluding accrued leave benefits and net pension liability, of \$ 3,627,969, with \$ 1,032,497 due within one year.

The general obligation bonds include various purposes including road improvements, city hall improvement, storm water improvements and construction. Sources for debt service payments include property tax collections and transfers from various funds. The City's general obligation bonds under governmental activities will be 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 debt, see Notes 9, 10, 11 and 13 to the Basic Financial Statements.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Economic Factors and Next Year's Budget

State of Ohio Local Government and Estate Tax cuts that the City has had to endure over the past several years have finally felt some relief with the 2014 passage of our Income Tax rate increase. Revenues recognized in 2015 allowed for much needed replenishment of safety forces equipment and personnel. The ability to hire staff, bringing departments back to safe operating levels, has brought peace of mind as well. The City looks forward to the ability to supply matching funds to obtain grants throughout the safety departments as well as for our City parks. In 2015 the City erected a picnic shelter in Guenther Park and has plans for similar additions at our other parks throughout the City. The careful planning and monitoring of the City's finances has allowed us to keep our debt low and credit rating high. 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 2017 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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash	\$ 1,930,694	\$ 1,226,686	\$ 3,157,380
Accounts and other receivable	139,383	268,080	407,463
Due from other governments	444,520	-	444,520
Inventories and supplies	30,270	-	30,270
Prepaid expenses	23,300	4,900	28,200
Income taxes receivable	2,504,300	-	2,504,300
Property taxes receivable	1,455,600	-	1,455,600
Special assessments receivable	-	84,755	84,755
Property held for resale	3,948,147	-	3,948,147
Capital assets			
Nondepreciable capital assets	484,539	1,147,060	1,631,599
Depreciable capital assets, net	11,543,490	5,838,147	17,381,637
Total assets	22,504,243	8,569,628	31,073,871
Deferred outflow s of resources			
Pension	608,012	61,868	669,880
Liabilities			
Accounts and contracts payable	120,025	104,143	224,168
Accrued wages and benefits	75,711	13,872	89,583
Accrued interest payable	13,180	10,600	23,780
Due to other governments	65,680	8,994	74,674
Notes payable	2,945,000	-	2,945,000
Long term liabilities			
Due within one year	794,199	248,630	1,042,829
Due in more than one year			
Net pension liability	4,476,750	360,804	4,837,554
Other amounts	1,912,472	1,670,550	3,583,022
Total liabilities	10,403,017	2,417,593	12,820,610
Deferred inflow s of resources			
Property taxes	1,267,500	-	1,267,500
Pension	22,459	6,483	28,942
Total deferred inflow s of resources	1,289,959	6,483	1,296,442
Net position			
Net investment in capital assets	10,276,121	5,100,991	15,377,112
Restricted for:			
Debt service	78,347	-	78,347
Capital projects	996,847	-	996,847
Highways and streets	990,276	-	990,276
Public safety	197,449	-	197,449
Recreation	7,327	-	7,327
Community environment	184,066	-	184,066
Other purposes	14,149	-	14,149
Unrestricted	(1,325,303)	1,106,429	(218,874)
Total net position	\$ 11,419,279	\$ 6,207,420	\$ 17,626,699

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Capital Grants and Contributions
Governmental activities			
Security of persons and property	\$ 2,968,262	\$ 7,850	\$ -
Public health and welfare	34,643	-	-
Leisure time activities	175,645	29,325	-
Community environment	35,226	-	1,229
Basic utility services	737,209	730,623	-
Transportation	1,139,179	9,081	-
General government	1,183,640	387,327	-
Interest	95,406	-	-
Total governmental activities	<u>6,369,210</u>	<u>1,164,206</u>	<u>1,229</u>
Business-type activities:			
Water	807,044	836,237	40,000
Sewer	912,789	1,049,083	-
Storm Water	270,747	291,651	-
Total business-type activities	<u>1,990,580</u>	<u>2,176,971</u>	<u>40,000</u>
Total	<u>\$ 8,359,790</u>	<u>\$ 3,341,177</u>	<u>\$ 41,229</u>

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

Change in net position
Net position at beginning of year, as 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
\$ (2,960,412)	\$ -	\$ (2,960,412)
(34,643)	-	(34,643)
(146,320)	-	(146,320)
(33,997)	-	(33,997)
(6,586)	-	(6,586)
(1,130,098)	-	(1,130,098)
(796,313)	-	(796,313)
(95,406)	-	(95,406)
<u>(5,203,775)</u>	<u>-</u>	<u>(5,203,775)</u>
-	69,193	69,193
-	136,294	136,294
-	20,904	20,904
-	226,391	226,391
<u>(5,203,775)</u>	<u>226,391</u>	<u>(4,977,384)</u>
308,645	-	308,645
70,858	-	70,858
833,680	-	833,680
3,018,294	-	3,018,294
657,585	-	657,585
871,986	-	871,986
5,120	-	5,120
725,765	13,144	738,909
<u>6,491,933</u>	<u>13,144</u>	<u>6,505,077</u>
1,288,158	239,535	1,527,693
10,131,121	5,967,885	16,099,006
<u>\$ 11,419,279</u>	<u>\$ 6,207,420</u>	<u>\$ 17,626,699</u>

CITY OF SHEFFIELD LAKE, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 1,553,755	\$ -	\$ 376,939	\$ 1,930,694
Income taxes receivables	2,028,483	-	475,817	2,504,300
Property taxes receivable	372,200	-	1,083,400	1,455,600
Due from other governments	117,020	-	327,500	444,520
Accounts and other receivable	139,383	-	-	139,383
Inventories and supplies	4,541	-	25,729	30,270
Prepaid expenses	21,700	-	1,600	23,300
Property held for resale	-	3,948,147	-	3,948,147
Total assets	\$ 4,237,082	\$ 3,948,147	\$ 2,290,985	\$ 10,476,214
Liabilities				
Accounts and contracts payable	\$ 110,580	\$ -	\$ 9,445	\$ 120,025
Accrued wages and benefits	70,081	-	5,630	75,711
Accrued interest payable	-	6,300	-	6,300
Due to other governments	60,571	-	5,109	65,680
Notes payable	-	2,945,000	-	2,945,000
Accrued leave benefits	10,332	-	-	10,332
Total liabilities	251,564	2,951,300	20,184	3,223,048
Deferred Inflows of resources				
Property taxes levied for next year and unavailable resources	2,211,523	-	1,778,226	3,989,749
Total deferred inflows of resources	2,211,523	-	1,778,226	3,989,749
Fund balances				
Nonspendable	26,241	996,847	27,329	1,050,417
Restricted	-	-	465,246	465,246
Assigned	348,801	-	-	348,801
Unassigned	1,398,953	-	-	1,398,953
Total fund balances	1,773,995	996,847	492,575	3,263,417
Total liabilities, deferred inflows of resources and fund balances	\$ 4,237,082	\$ 3,948,147	\$ 2,290,985	\$ 10,476,214

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, 2015

Total governmental funds balances		\$	3,263,417
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.			12,028,029
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	188,100		
Municipal income tax	2,129,084		
Intergovernmental	405,065		
Total	2,722,249		2,722,249
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.			(6,880)
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	608,012		
Deferred inflows - pension	(22,459)		
Net pension liability	(4,476,750)		(3,891,197)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes payable	(1,073,785)		
OPWC loans payable	(248,123)		
General obligation bonds	(430,000)		
Accrued leave benefits	(944,431)		(2,696,339)
Net position of governmental activities		\$	11,419,279

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, 2015

	General	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and other local taxes	\$ 303,945	\$ -	\$ 890,538	\$ 1,194,483
Municipal income taxes	2,523,541	-	504,947	3,028,488
Intergovernmental revenue	255,171	-	617,621	872,792
Charges for services	1,024,360	-	-	1,024,360
Fines, licenses, and permits	170,668	-	8,550	179,218
Interest	4,928	-	192	5,120
Miscellaneous	672,802	-	20,226	693,028
Total revenues	4,955,415	-	2,042,074	6,997,489
Expenditures				
Current				
Security of persons and property	1,880,349	-	964,259	2,844,608
Public health and welfare	34,643	-	-	34,643
Leisure time activities	138,107	-	-	138,107
Community environment	26,346	-	8,880	35,226
Basic utility services	717,389	-	-	717,389
Transportation	-	-	588,553	588,553
General government	1,159,256	-	2,641	1,161,897
Capital outlay	-	-	352,360	352,360
Debt service				
Note principal	10,878	-	707,027	717,905
Bond principal	45,000	-	95,000	140,000
OPWC loan principal	2,358	-	17,012	19,370
Capital lease principal	19,039	-	-	19,039
Interest and fiscal charges	20,868	27,828	54,920	103,616
Total expenditures	4,054,233	27,828	2,790,652	6,872,713
Excess (deficiency) of revenues over expenditures	901,182	(27,828)	(748,578)	124,776
Other financing sources (uses)				
Transfers-in	-	126,128	-	126,128
Note proceeds	-	-	550,000	550,000
Transfers-out	(126,128)	-	-	(126,128)
Total other financing sources (uses)	(126,128)	126,128	550,000	550,000
Net change in fund balance	775,054	98,300	(198,578)	674,776
Fund balances, beginning of year	998,941	898,547	691,153	2,588,641
Fund balances, end of year	\$ 1,773,995	\$ 996,847	\$ 492,575	\$ 3,263,417

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds		\$ 674,776
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 depreciation expense exceeded net capital outlay in the current period.		
	Capital outlay, net	\$ 367,294
	Depreciation expense	<u>(695,001)</u>
		(327,707)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
	Municipal income tax	647,391
	Property and other local taxes	18,700
	Intergovernmental revenue	<u>423</u>
		666,514
Debt proceeds are an other financing source in the funds, but increase long-term liabilities in the Statement of Net Position		
		(550,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
	Note principal paid	717,905
	OPWC loan principal paid	19,370
	Bond principal paid	140,000
	Capital lease principal paid	<u>19,039</u>
		896,314
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		
		1,575
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		404,637
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(447,525)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Accrued leave benefits	<u>(30,426)</u>
Change in net position of governmental activities		<u><u>\$ 1,288,158</u></u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Property and other local taxes	\$ 306,749	\$ 306,749	\$ 303,945	\$ (2,804)
Municipal income taxes	1,980,000	2,261,000	2,465,468	204,468
Intergovernmental revenue	245,388	245,388	258,850	13,462
Charges for services	306,550	286,550	294,891	8,341
Fines, licenses, and permits	188,800	173,800	170,668	(3,132)
Interest	1,500	3,500	4,928	1,428
Miscellaneous	351,077	428,077	672,802	244,725
Total revenues	3,380,064	3,705,064	4,171,552	466,488
Expenditures				
Current				
Security of persons and property	2,031,136	2,112,428	2,026,919	85,509
Public health and welfare	47,067	37,967	34,819	3,148
Leisure time activities	159,894	163,030	137,140	25,890
Community environment	98,830	29,559	29,210	349
General government	1,076,867	1,270,663	1,188,654	82,009
Debt service				
Principal	161,348	161,348	154,638	6,710
Bond principal	45,000	45,000	45,000	-
OPWC loan principal	2,358	2,358	2,358	-
Interest and fiscal charges	9,965	9,965	9,084	881
Total expenditures	3,632,465	3,832,318	3,627,822	204,496
Excess (deficiency) of revenues over expenditures	(252,401)	(127,254)	543,730	670,984
Other financing sources (uses)				
Transfers-in	5,000	5,000	5,000	-
Transfers-out	(15,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	(10,000)	-	-	-
Net change in fund balance	(262,401)	(127,254)	543,730	670,984
Prior year encumbrances	24,242	24,242	24,242	-
Fund balances, beginning of year	752,732	752,732	752,732	-
Fund balances, end of year	\$ 514,573	\$ 649,720	\$ 1,320,704	\$ 670,984

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FUND NET POSITION -
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets				
Current assets				
Equity in pooled cash	\$ 248,293	\$ 896,889	\$ 81,504	\$ 1,226,686
Accounts and other receivable	98,392	131,181	38,507	268,080
Prepaid expenses	2,300	2,300	300	4,900
Total current assets	<u>348,985</u>	<u>1,030,370</u>	<u>120,311</u>	<u>1,499,666</u>
Noncurrent assets				
Special assessments receivable	-	-	84,755	84,755
Nondepreciable capital assets	993,150	33,500	120,410	1,147,060
Depreciable capital assets, net	452,102	457,476	4,928,569	5,838,147
Total noncurrent assets	<u>1,445,252</u>	<u>490,976</u>	<u>5,133,734</u>	<u>7,069,962</u>
Total assets	<u>1,794,237</u>	<u>1,521,346</u>	<u>5,254,045</u>	<u>8,569,628</u>
Deferred outflows of resources				
Pension	<u>22,116</u>	<u>30,863</u>	<u>8,889</u>	<u>61,868</u>
Liabilities				
Current				
Accounts and contracts payable	60,576	43,567	-	104,143
Accrued wages and benefits	5,178	6,975	1,719	13,872
Accrued interest payable	8,700	-	1,900	10,600
Due to other governments	3,449	4,762	783	8,994
OPWC loans payable	-	-	22,238	22,238
General obligation bonds payable	-	-	175,000	175,000
Capital leases	51,392	-	-	51,392
Total current liabilities	<u>129,295</u>	<u>55,304</u>	<u>201,640</u>	<u>386,239</u>
Long-term liabilities				
OPWC loans payable	-	-	133,828	133,828
General obligation bonds payable	-	-	551,845	551,845
Capital leases	941,758	-	-	941,758
Accrued leave benefits	17,130	25,694	295	43,119
Net pension liability	128,976	179,989	51,839	360,804
Total long-term liabilities	<u>1,087,864</u>	<u>205,683</u>	<u>737,807</u>	<u>2,031,354</u>
Total liabilities	<u>1,217,159</u>	<u>260,987</u>	<u>939,447</u>	<u>2,417,593</u>
Deferred inflows of resources				
Pension	<u>2,318</u>	<u>3,234</u>	<u>931</u>	<u>6,483</u>
Net position				
Net investment in capital assets	452,102	490,976	4,157,913	5,100,991
Unrestricted	144,774	797,012	164,643	1,106,429
Total net position	<u>\$ 596,876</u>	<u>\$ 1,287,988</u>	<u>\$ 4,322,556</u>	<u>\$ 6,207,420</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues				
Charges for services	\$ 836,237	\$ 1,049,083	\$ 291,651	\$ 2,176,971
Miscellaneous	5,534	5,534	2,076	13,144
Total operating revenues	<u>841,771</u>	<u>1,054,617</u>	<u>293,727</u>	<u>2,190,115</u>
Operating expenses				
Personal services	218,443	304,248	77,306	599,997
Contractual services	513,669	482,523	4,820	1,001,012
Supplies and materials	42,027	94,936	8,464	145,427
Other operating	6,800	4,522	-	11,322
Depreciation	17,405	26,560	152,483	196,448
Total operating expenses	<u>798,344</u>	<u>912,789</u>	<u>243,073</u>	<u>1,954,206</u>
Operating income	<u>43,427</u>	<u>141,828</u>	<u>50,654</u>	<u>235,909</u>
Nonoperating revenues (expenses)				
Intergovernmental revenue	40,000	-	-	40,000
Interest and fiscal charges	(8,700)	-	(27,674)	(36,374)
Net nonoperating revenues (expenses)	<u>31,300</u>	<u>-</u>	<u>(27,674)</u>	<u>3,626</u>
Change in net position	74,727	141,828	22,980	239,535
Net position, beginning of year, as restated	<u>522,149</u>	<u>1,146,160</u>	<u>4,299,576</u>	<u>5,967,885</u>
Net position, end of year	<u>\$ 596,876</u>	<u>\$ 1,287,988</u>	<u>\$ 4,322,556</u>	<u>\$ 6,207,420</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 814,128	\$ 1,051,339	\$ 290,921	\$ 2,156,388
Cash paid to suppliers for materials and supplies	(34,996)	(93,051)	(9,964)	(138,011)
Cash paid for employee services and benefits	(228,086)	(317,691)	(79,591)	(625,368)
Cash paid for contractual services	(498,713)	(496,627)	(4,820)	(1,000,160)
Other operating revenues	5,534	5,534	2,076	13,144
Other operating expenses	(5,383)	(3,931)	-	(9,314)
Net cash provided by operating activities	<u>52,484</u>	<u>145,573</u>	<u>198,622</u>	<u>396,679</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenue	40,000	-	-	40,000
Net cash provided by noncapital financing activities	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Cash flows from capital and related financing activities:				
Special assessments	-	-	10,098	10,098
OPWC loans payments	-	-	(22,238)	(22,238)
Bond principal payments	-	-	(170,000)	(170,000)
Payment of interest and fiscal charges	-	-	(26,615)	(26,615)
Acquisition of fixed assets	-	(15,000)	-	(15,000)
Net cash (used in) capital and related financing activities	<u>-</u>	<u>(15,000)</u>	<u>(208,755)</u>	<u>(223,755)</u>
Net increase (decrease) in equity in pooled cash	92,484	130,573	(10,133)	212,924
Equity in pooled cash, beginning of year	<u>155,809</u>	<u>766,316</u>	<u>91,637</u>	<u>1,013,762</u>
Equity in pooled cash, end of year	<u>\$ 248,293</u>	<u>\$ 896,889</u>	<u>\$ 81,504</u>	<u>\$ 1,226,686</u>
Non-cash capital and related financing transactions:				
Capital asset acquired through capital lease	<u>\$ 993,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 993,150</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 43,427	\$ 141,828	\$ 50,654	\$ 235,909
Adjustments:				
Depreciation	17,405	26,560	152,483	196,448
(Increase) decrease in assets:				
Accounts and other receivable	(22,109)	2,256	(730)	(20,583)
Prepaid expenses	(300)	200	-	(100)
Increase in deferred outflow s of resources - pension	(6,347)	(8,857)	(2,551)	(17,755)
Increase (decrease) in liabilities:				
Accounts and contracts payable	23,863	(11,669)	(1,500)	10,694
Accrued wages and benefits	1,933	2,271	221	4,425
Due to other governments	(2,299)	(1,837)	31	(4,105)
Accrued leave benefits	(8,299)	(12,449)	(2,080)	(22,828)
Net pension liability	2,892	4,036	1,163	8,091
Increase in deferred inflow s of resources - pension	2,318	3,234	931	6,483
Net cash provided by operating activities	<u>\$ 52,484</u>	<u>\$ 145,573</u>	<u>\$ 198,622</u>	<u>\$ 396,679</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2015

	Agency Funds
Assets	
Equity in pooled cash	\$ 42,983
Cash and investments w ith fiscal agents	1,394
Property taxes receivable	335,600
Due from other governments	16,200
Total assets	<u>\$ 396,177</u>
Liabilities	
Due to others	\$ 44,377
Due to other governments	351,800
Total liabilities	<u>\$ 396,177</u>

See accompanying notes to the basic financial statements.

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CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, Finance Director, and Treasurer. The City's fiscal year corresponds with the calendar year.

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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:

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

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 until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

Expenses/Expenditures

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

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

The City pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. For purposes of the statement of cash flows, the City considers all investments to be cash equivalents.

G. INVESTMENTS

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

At December 31, 2015 the City did not have any investments.

H. 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.

I. 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.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS (continued)

Capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market 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

J. PROPERTY HELD FOR RESALE

Property held for resale is recorded at the lower of cost or fair market value.

K. 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.

L. 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.

M. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Generally, 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, and accrued leave benefits and net pension liability 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 year. Bonds, capital leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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 \$ 2,468,461 of restricted net position, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

O. 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.

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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. 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.

Q. 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.

R. 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.

S. PENSIONS

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

T. 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.

U. 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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position at 12/31/2014			
As previously presented	\$ 13,979,430	\$ 6,276,485	\$ 20,255,915
Adjustments:			
Net pension liability	(4,246,735)	(352,713)	(4,599,448)
Deferred outflows - payments subsequent to measurement date	398,426	44,113	442,539
Net position at 12/31/2014, as restated	<u>\$ 10,131,121</u>	<u>\$ 5,967,885</u>	<u>\$ 16,099,006</u>

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Net position at 12/31/2014				
As previously presented	\$ 632,464	\$ 1,300,107	\$ 4,343,914	\$ 6,276,485
Adjustments:				
Net pension liability	(126,084)	(175,953)	(50,676)	(352,713)
Deferred outflows - payments subsequent to measurement date	15,769	22,006	6,338	44,113
Net position at 12/31/2014, as restated	<u>\$ 522,149</u>	<u>\$ 1,146,160</u>	<u>\$ 4,299,576</u>	<u>\$ 5,967,885</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 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).

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 statements to the budgetary basis statements for the General Fund.

	Net Change in Fund Balance
	General Fund
Budget basis	\$ 543,730
Adjustments, increase (decrease)	
Revenue accruals	48,240
Expenditure accruals	72,053
Funds budgeted elsewhere **	13,234
Encumbrances	97,797
GAAP basis, as reported	\$ 775,054

** 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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 4,541	\$ -	\$ 25,729	\$ 30,270
Prepaid expenses	21,700	-	1,600	23,300
Shoreway capital project	-	996,847	-	996,847
Total nonspendable	<u>26,241</u>	<u>996,847</u>	<u>27,329</u>	<u>53,570</u>
Restricted for:				
Debt service	-	-	63,247	63,247
Capital projects	-	-	22,846	22,846
Highways and streets	-	-	320,421	320,421
Public safety	-	-	20,249	20,249
Recreation	-	-	7,327	7,327
Community environment	-	-	17,007	17,007
Other	-	-	14,149	14,149
Total restricted	<u>26,241</u>	<u>-</u>	<u>492,575</u>	<u>1,515,663</u>
Assigned for:				
Encumbrances	27,971	-	-	27,971
Next year's appropriations	153,771	-	-	153,771
Refuse services	167,059	-	-	167,059
Total assigned	<u>348,801</u>	<u>-</u>	<u>-</u>	<u>348,801</u>
Unassigned	<u>1,398,953</u>	<u>-</u>	<u>-</u>	<u>1,398,953</u>
Total fund balances	<u>\$ 1,800,236</u>	<u>\$ 996,847</u>	<u>\$ 519,904</u>	<u>\$ 3,316,987</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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. The City does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the City's deposits was \$ 3,201,757 and the bank balance was \$ 3,230,340. Of the bank balance, \$ 3,230,340 was covered by federal depository insurance.

Cash on hand at December 31, 2015 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.

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, 2015 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, interest, and accounts (billings for utility service).

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 RECEIVABLES (continued)

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 2015 for real and public utility property taxes represents collections of the 2014 taxes. Property tax payments received during 2015 for tangible personal property (other than public utility property) is for 2015 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015 was \$ 18.61 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	\$ 130,892,220
Commercial/industrial	14,496,660
Tangible personal property	
Public utilities	2,210,110
Total valuation	<u>\$ 147,598,990</u>

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, 2015 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 2015 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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 RECEIVABLES (continued)

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 governmental activities and agency funds intergovernmental receivables follows:

	Amount
Governmental Activities	
Local government assistance	\$ 150,265
Gasoline tax	170,665
Permissive tax	51,035
Homestead and rollback	70,300
Estate tax	-
Miscellaneous	2,255
Total governmental activities	444,520
Agency Fund	
Homestead and rollback	16,200
Total due from other governments	\$ 460,720

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 CAPITAL ASSETS

A summary of changes in capital assets during 2015 follows:

	Balance January 1	Additions	Disposals	Balance December 31
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 484,539	\$ -	\$ -	\$ 484,539
Total capital assets, not being depreciated	<u>484,539</u>	<u>-</u>	<u>-</u>	<u>484,539</u>
Capital assets, being depreciated				
Buildings and improvements	3,698,872	128,313	-	3,827,185
Equipment and vehicles	2,376,939	253,457	110,367	2,520,029
Infrastructure	38,263,896	-	-	38,263,896
Total capital assets being depreciated	<u>44,339,707</u>	<u>381,770</u>	<u>110,367</u>	<u>44,611,110</u>
Less accumulated depreciation				
Buildings and improvements	1,463,289	63,844	-	1,527,133
Equipment and vehicles	1,583,531	112,243	95,891	1,599,883
Infrastructure	29,421,690	518,914	-	29,940,604
Total accumulated depreciation	<u>32,468,510</u>	<u>695,001</u>	<u>95,891</u>	<u>33,067,620</u>
Total capital assets being depreciated, net	<u>11,871,197</u>	<u>(313,231)</u>	<u>14,476</u>	<u>11,543,490</u>
Total governmental capital assets, net	<u>\$ 12,355,736</u>	<u>\$ (313,231)</u>	<u>\$ 14,476</u>	<u>\$ 12,028,029</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 153,910	\$ -	\$ -	\$ 153,910
Construction in progress	-	993,150	-	993,150
Total capital assets, not being depreciated	<u>153,910</u>	<u>993,150</u>	<u>-</u>	<u>1,147,060</u>
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	616,400	15,000	-	631,400
Infrastructure	11,880,736	-	-	11,880,736
Total capital assets being depreciated	<u>12,647,954</u>	<u>15,000</u>	<u>-</u>	<u>12,662,954</u>
Less accumulated depreciation				
Buildings and improvements	42,230	2,715	-	44,945
Equipment and vehicles	420,466	23,565	-	444,031
Infrastructure	6,165,663	170,168	-	6,335,831
Total accumulated depreciation	<u>6,628,359</u>	<u>196,448</u>	<u>-</u>	<u>6,824,807</u>
Total capital assets being depreciated, net	<u>6,019,595</u>	<u>(181,448)</u>	<u>-</u>	<u>5,838,147</u>
Total business-type capital assets, net	<u>\$ 6,173,505</u>	<u>\$ 811,702</u>	<u>\$ -</u>	<u>\$ 6,985,207</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$	91,219
Leisure time activities		48,550
Basic utility services		19,820
Transportation		519,453
General government		15,959
		\$ 695,001

NOTE 9 NOTES PAYABLE

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

	Balance, 12/31/14	Additions	Reductions	Balance, 12/31/15
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Shoreway Capital Project fund				
1.00% issued 11/6/14, due 11/6/15	\$ 3,045,000	\$ -	\$ 3,045,000	\$ -
Shoreway Capital Project fund				
1.375% issued 11/5/15, due 11/3/16	-	2,945,000	-	2,945,000
	\$ 3,045,000	\$ 2,945,000	\$ 3,045,000	\$ 2,945,000

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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:

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<u>Governmental activities</u>				
General obligation bonds				
Building improvements	1996	2016	6.20%	\$ 200,000
Street improvements	2003	2018	3.60 - 5.00%	1,200,000
Street improvements	1998	2018	5.00 - 5.20%	500,000
Tax anticipation note	2007	2027	4.78%	800,000
Bond anticipation note	2015	2016	1.03%	550,000
Highway improvement note	2006	2017	0.00%	175,908
911 system improvement note	2012	2022	0.00%	54,705
Ohio Public Works loan	2001	2017	0.00%	35,371
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
<u>Business-type activities</u>				
General obligation bonds				
Storm water improvements	2011	2021	1.00 - 3.70%	1,575,000
Ohio Public Works loan	2000	2020	0.00%	124,842
Ohio Public Works loan	2003	2024	0.00%	140,949
Ohio Public Works loan	2003	2024	0.00%	81,187
Ohio Public Works loan	2003	2024	0.00%	97,793

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2015 were as follows:

	Restated Outstanding 12/31/14	Additions	Reductions	Outstanding 12/31/15	Due in One Year
<u>Governmental activities</u>					
General obligation bonds					
Building improvement (1996) 6.20% through 2016	\$ 30,000	\$ -	\$ 15,000	\$ 15,000	\$ 15,000
Street improvement (2003) 3.60% - 5.00% through 2018	400,000	-	95,000	305,000	100,000
Street improvement (1998) 5.00% - 5.20% through 2018	140,000	-	30,000	110,000	35,000
Total general obligation bonds	<u>570,000</u>	<u>-</u>	<u>140,000</u>	<u>430,000</u>	<u>150,000</u>
Net pension liability					
OPERS	991,466	22,745	-	1,014,211	-
OP&F	3,255,269	207,270	-	3,462,539	-
Total net pension liability	<u>4,246,735</u>	<u>230,015</u>	<u>-</u>	<u>4,476,750</u>	<u>-</u>
Tax anticipation note	481,905	-	40,000	441,905	40,000
Bond anticipation notes	648,000	550,000	648,000	550,000	550,000
Highway improvement note	57,080	-	19,027	38,053	19,027
911 system improvement note	54,705	-	10,878	43,827	5,470
OPWC loans	267,493	-	19,370	248,123	19,370
Capital leases	19,039	-	19,039	-	-
Accrued leave benefits	1,009,107	40,758	95,102	954,763	10,332
Total governmental activities	<u>\$ 7,354,064</u>	<u>\$ 820,773</u>	<u>\$ 991,416</u>	<u>\$ 7,183,421</u>	<u>\$ 794,199</u>
<u>Business-type activities</u>					
General obligation bonds					
Storm water improvement 1.00% - 3.70% through 2021	\$ 905,000	\$ -	\$ 170,000	\$ 735,000	\$ 175,000
Premium	(9,514)	-	(1,359)	(8,155)	-
Total general obligation bonds	<u>895,486</u>	<u>-</u>	<u>168,641</u>	<u>726,845</u>	<u>175,000</u>
Net pension liability - OPERS					
Water	126,084	2,892	-	128,976	-
Sewer	175,953	4,036	-	179,989	-
Storm Water	50,676	1,163	-	51,839	-
Total net pension liability	<u>352,713</u>	<u>8,091</u>	<u>-</u>	<u>360,804</u>	<u>-</u>
OPWC loans	178,304	-	22,238	156,066	22,238
Capital leases	-	993,150	-	993,150	51,392
Accrued leave benefits	65,947	6,233	29,061	43,119	-
Total business-type activities	<u>\$ 1,492,450</u>	<u>\$ 1,007,474</u>	<u>\$ 219,940</u>	<u>\$ 2,279,984</u>	<u>\$ 248,630</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 LONG-TERM DEBT (continued)

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for payment. The general obligation bonds are paid from 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 Roads-Income Tax Fund, the Debt Service Fund, the Capital Improvements Fund, Shoreway Capital Project 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.

Compensated absences 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, 2015, excluding accrued leave benefits, are as follows:

Year	Governmental Activities					
	General Obligation Bonds		Bond Anticipation Notes		Highway Improvement Note	911 System Improvement Note
	Principal	Interest	Principal	Interest	Principal	Principal
2016	\$ 150,000	\$ 21,874	\$ 550,000	\$ 5,665	\$ 19,027	\$ 5,471
2017	135,000	14,150	-	-	19,026	5,471
2018	145,000	7,330	-	-	-	5,471
2019	-	-	-	-	-	5,471
2020	-	-	-	-	-	5,471
2021-2025	-	-	-	-	-	16,472
2026-2030	-	-	-	-	-	-
2031-2033	-	-	-	-	-	-
	<u>\$ 430,000</u>	<u>\$ 43,354</u>	<u>\$ 550,000</u>	<u>\$ 5,665</u>	<u>\$ 38,053</u>	<u>\$ 43,827</u>

Year	Governmental Activities				
	Tax Anticipation Note		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2016	\$ 40,000	\$ 21,123	\$ 19,370	\$ 783,868	\$ 48,662
2017	40,000	19,211	17,012	216,509	33,361
2018	40,000	17,299	17,012	207,483	24,629
2019	40,000	15,387	17,012	62,483	15,387
2020	40,000	13,475	17,012	62,483	13,475
2021-2025	200,000	38,695	85,061	301,533	38,695
2026-2030	41,905	2,033	63,439	105,344	2,033
2031-2033	-	-	12,205	12,205	-
	<u>\$ 441,905</u>	<u>\$ 127,223</u>	<u>\$ 248,123</u>	<u>\$ 1,751,908</u>	<u>\$ 176,242</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 LONG-TERM DEBT (continued)

Year	Business-Type Activities				
	General Obligation Bonds		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2016	\$ 175,000	\$ 22,546	\$ 22,238	\$ 197,238	\$ 22,546
2017	100,000	18,346	22,239	122,239	18,346
2018	105,000	15,596	22,239	127,239	15,596
2019	115,000	12,446	22,240	137,240	12,446
2020	115,000	8,650	19,119	134,119	8,650
2021-2025	125,000	4,624	47,991	172,991	4,624
	<u>\$ 735,000</u>	<u>\$ 82,208</u>	<u>\$ 156,066</u>	<u>\$ 891,066</u>	<u>\$ 82,208</u>

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, 2015, assets under capital lease totaled \$993,150 in business-type activities, with related accumulated depreciation of \$0. 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, 2015.

Year Ending December 31,	Business-type Activities
2016	\$ 85,609
2017	85,609
2018	85,609
2019	85,609
2020	85,609
2021-2025	428,045
2026-2030	428,045
Total minimum lease payments	1,284,135
Less amount representing interest	(290,985)
Net present value of minimum lease payments	<u>\$ 993,150</u>

NOTE 12 OPERATING LEASES

The City is obligated under leases accounted for as operating leases. Total lease expense for the year ended December 31, 2015 was \$13,618. 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, 2015.

Year ending December 31	Amount
2016	\$ 10,553
2017	3,066
2018	413
Total minimum payments	<u>\$ 14,032</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 DEFINED BENEFIT PENSION PLANS

A. NET PENSIONS 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.

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.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

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

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.

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:

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

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

	State and Local
2015 Statutory maximum contribution rates	
Employer	14.0%
Employee	10.0%
2015 Actual contribution rates	
Employer	
Pension	12.0%
Post-employment health care benefits	2.0%
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 \$ 162,376 for 2015. Of this amount, \$ 18,212 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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

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

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
2015 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee		
January 1, 2015 through July 1, 2015	11.50%	11.50%
July 2, 2015 through December 31, 2015	12.25%	12.25%
2015 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		
January 1, 2015 through July 1, 2015	11.50%	11.50%
July 2, 2015 through December 31, 2015	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$ 284,869 for 2015. Of this amount \$ 38,262 is reported as an 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, 2014, 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, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. 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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,375,015	\$ 3,462,539	\$ 4,837,554
Proportion of the net pension liability	0.0114030%	0.0668390%	
Pension expense	\$ 150,256	\$ 336,696	\$ 486,952

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 73,402	\$ 149,233	\$ 222,635
City contributions subsequent to the measurement date	<u>162,376</u>	<u>284,869</u>	<u>447,245</u>
Total deferred outflows of resources	<u>\$ 235,778</u>	<u>\$ 434,102</u>	<u>\$ 669,880</u>
Deferred inflows of resources			
Difference between expected and actual experience	<u>\$ 24,710</u>	<u>\$ 4,232</u>	<u>\$ 28,942</u>

\$ 447,245 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 7,079	\$ 36,250	\$ 43,329
2017	7,079	36,250	43,329
2018	16,361	36,250	52,611
2019	18,173	36,251	54,424
Total	<u>\$ 48,692</u>	<u>\$ 145,001</u>	<u>\$ 193,693</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS (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 (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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

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 2014 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%	2.31%
Domestic equities	19.90%	5.84%
Real estate	10.00%	4.25%
Private equity	10.00%	9.25%
International equities	19.10%	7.40%
Other investments	18.00%	4.59%
Total	<u>100.00%</u>	<u>5.28%</u>

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. 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 statutorily required rates. 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 8 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 (7 percent) or one-percentage-point higher (9 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	<u>\$ 2,530,253</u>	<u>\$ 1,375,015</u>	<u>\$ 402,045</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

F- ACTUARIAL ASSUMPTIONS – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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 the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. 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 OPF's target asset allocation as of December 31, 2014 are summarized below:

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

F- ACTUARIAL ASSUMPTIONS – OPF (continued)

Asset Class	Target Allocation	Weighted Average Long-term Expected Real Rate of Return (Arithmetic)
Cash and cash equivalents	0.00%	-0.25%
Domestic equity	16.00%	4.47%
Non-US equity	16.00%	4.47%
Core fixed income *	20.00%	1.62%
Global inflation protected *	20.00%	1.33%
High yield	15.00%	3.39%
Real estate	12.00%	3.93%
Private markets	8.00%	6.98%
Timber	5.00%	4.92%
Master limited partnerships	8.00%	7.03%
Total	<u>120.00%</u>	

* 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 8.25 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 8.25 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.

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 8.25 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 (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	<u>\$ 4,789,215</u>	<u>\$ 3,462,539</u>	<u>\$ 2,339,248</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The 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 to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

The City contributions to fund postemployment benefits for the years ended December 31, 2015, 2014, and 2013, were \$ 27,063, \$ 30,150 and \$ 13,323 , respectively. For 2015, \$ 24,032 (88.8 percent) has been contributed. The balance was subsequently contributed in 2016. The full amount has been contributed for 2014 and 2013.

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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 for the Plan. That report may be obtained by writing to OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

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. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2015 thru December 31, 2015. 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).

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The OPF Board of Trustees also is 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 contributions to fund postemployment health care benefits for police and firefighters were \$ 2,370 and \$ 2,404 for the year ended December, 31, 2015, \$ 2,282 and \$ 4,098 for the year ended December 31, 2014 and \$ 16,963 and \$ 30,639 for the year ended December 31, 2013. The full amount has been contributed for 2014 and 2013. For 2015, \$ 1,998 (84.3%) and \$ 2,117 (88.1%) has been contributed for police and firefighters, respectively. The balance was subsequently paid in 2016.

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, 2015, 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, 2015.

NOTE 17 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.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

A. LORAIN COUNTY GENERAL HEALTH DISTRICT

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

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2015. Financial information can be obtained by contacting the Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

NOTE 19 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2015 were made to account for payment of short term anticipation notes and consisted of the following:

	Transferred from:
	General Fund
<u>Transferred to:</u>	
Shoreway Capital Project Fund	\$ 126,128

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS (1)

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.011403%	0.011403%
City's proportionate of the net pension liability	\$ 1,375,015	\$ 1,344,179
City's covered-employee payroll	\$ 1,400,930	\$ 1,332,876
City's proportionate share of the net pension liability as a percentage of its covered -employee payroll	98.15%	100.85%
Plan fiduciary net pension as a percentage of the total pension liability	86.45%	86.36%

(1) Information prior to 2013 is not available

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

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 TWO YEARS (1)

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.0668390%	0.0668390%
City's proportionate of the net pension liability	\$ 3,462,539	\$ 3,255,269
City's covered-employee payroll	\$ 1,250,429	\$ 1,311,619
City's proportionate share of the net pension liability as a percentage of its covered -employee payroll	276.91%	248.19%
Plan fiduciary net pension as a percentage of the total pension liability	72.20%	73.00%

(1) Information prior to 2013 is not available

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

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 162,376	\$ 168,112	\$ 173,274
Contributions in relation to the contractually required contributions	<u>(162,376)</u>	<u>(168,112)</u>	<u>(173,274)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	1,353,132	1,400,930	1,332,876
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available

CITY OF SHEFFIELD LAKE, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY CONTRIBUTIONS
 OHIO POLICE AND FIRE PENSION FUND
 LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 284,869	\$ 274,427	\$ 205,354	\$ 227,286
Contributions in relation to the contractually required contributions	<u>(284,869)</u>	<u>(274,427)</u>	<u>(205,354)</u>	<u>(227,286)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	1,302,997	1,250,429	1,311,619	1,464,683
Contributions as a percentage of covered-employee payroll	21.86%	21.95%	15.66%	15.52%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 220,550	\$ 211,219	\$ 249,927	\$ 254,787	\$ 249,474	\$ 213,431
<u>(220,550)</u>	<u>(211,219)</u>	<u>(249,927)</u>	<u>(254,787)</u>	<u>(249,474)</u>	<u>(213,431)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1,426,637	1,371,051	1,627,395	1,672,617	1,688,920	1,501,966
15.46%	15.41%	15.36%	15.23%	14.77%	14.21%

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Dave Yost • Auditor of State

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

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 24, 2016, wherein we noted that the City adopted Government Auditing Standards No. 68, *Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

August 24, 2016



Dave Yost • Auditor of State

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
SEPTEMBER 8, 2016