

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

City Council
City of Sheffield Lake
609 Harris Road
Sheffield Lake, Ohio 44054

We have reviewed the *Independent Auditor's Report* of the City of Sheffield Lake, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Sheffield Lake is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 17, 2015

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**CITY OF SHEFFIELD LAKE
LORAIN COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of City Council
City Sheffield Lake, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

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, as of and for the year ended December 31, 2014, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, Ohio, as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, during 2014 the City restated its December 31, 2013 net position of governmental activities due to an understatement of the compensated absences. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2015, on our consideration of the City of Sheffield Lake, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.² That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sheffield Lake, Ohio's internal control over financial reporting and compliance.


James G. Zupka, CPA, Inc.
Certified Public Accountants

June 3, 2015

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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, 2014. 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 2014 were as follows.

The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 20,255,915 (net position). Of this amount, \$ 2,871,793 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

Total net position increased by \$ 131,638. This was comprised of a decrease of \$ 887,520, in net investment in capital assets and increases of \$ 72,855 and \$ 946,303 in restricted net position and unrestricted net position, respectively.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 2,588,641, an increase of \$ 733,273 in comparison with the prior year. Approximately 22 percent of this amount, \$ 577,213 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 \$ 577,213 or 15 percent of total General Fund expenditures.

The City's total long-term debt obligations increased by \$ 75,588 (2 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 all resources, liabilities and deferred inflows of resources with the residual difference being reported as net position. Increases or decreases in net position over time serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The *Statement of Activities* presents information reflecting the City's financial activities and changes in net position during the year. These two statements use the accrual basis of accounting, under which revenue is generally recognized when earned and expenses recognized when incurred, regardless of when cash is received or paid. These statements distinguish between governmental activities, which are those that are principally supported by taxes and intergovernmental revenues, and business-type activities, which are those that are intended to recover their costs through user fees and charges. The City's business-type activities consist of water system operations, sanitary sewer system operations and storm water system operations.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Fund Financial Statements

Governmental fund financial statements focus on the City's most significant, or major funds. The City's major governmental funds are the General Fund 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, 2014 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, 2014
UNAUDITED

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 2014 compared to 2013.

	Governmental Activities		Business-type Activities		Total	
	2014	Restated 2013	2014	2013	2014	Restated 2013
Assets						
Current and other assets	\$ 9,304,895	\$ 8,530,189	\$ 1,360,912	\$ 1,146,504	\$ 10,665,807	\$ 9,676,693
Capital assets, net	12,355,736	12,977,066	6,173,505	6,365,466	18,529,241	19,342,532
Total assets	21,660,631	21,507,255	7,534,417	7,511,970	29,195,048	29,019,225
Liabilities						
Current liabilities	3,309,472	3,423,028	118,195	82,563	3,427,667	3,505,591
Long-term liabilities	3,107,329	2,801,034	1,139,737	1,325,523	4,247,066	4,126,557
Total liabilities	6,416,801	6,224,062	1,257,932	1,408,086	7,674,733	7,632,148
Deferred inflow s of resources						
Property taxes levied for next year	1,264,400	1,262,800	-	-	1,264,400	1,262,800
Total deferred inflow s of resources	1,264,400	1,262,800	-	-	1,264,400	1,262,800
Net position						
Net investment in capital assets	10,257,514	11,145,311	5,090,201	5,089,924	15,347,715	16,235,235
Restricted	2,036,407	1,963,552	-	-	2,036,407	1,963,552
Unrestricted	1,685,509	911,530	1,186,284	1,013,960	2,871,793	1,925,490
Total net position	\$ 13,979,430	\$ 14,020,393	\$ 6,276,485	\$ 6,103,884	\$ 20,255,915	\$ 20,124,277

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 \$ 175,823 to \$ 29,195,048. Current and other assets increased by \$ 989,114 to \$ 10,665,807. Current liabilities decreased by \$ 77,924 to \$ 3,427,667 primarily due to a decrease in notes payable. Long-term liabilities increased by \$ 120,509 to \$ 4,247,066. Total net position increased by \$ 131,638 to \$ 20,255,915 with governmental net position comprising \$ 13,979,430 and business-type net position comprising \$ 6,276,485 of that amount.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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Analysis of Changes in Net Position

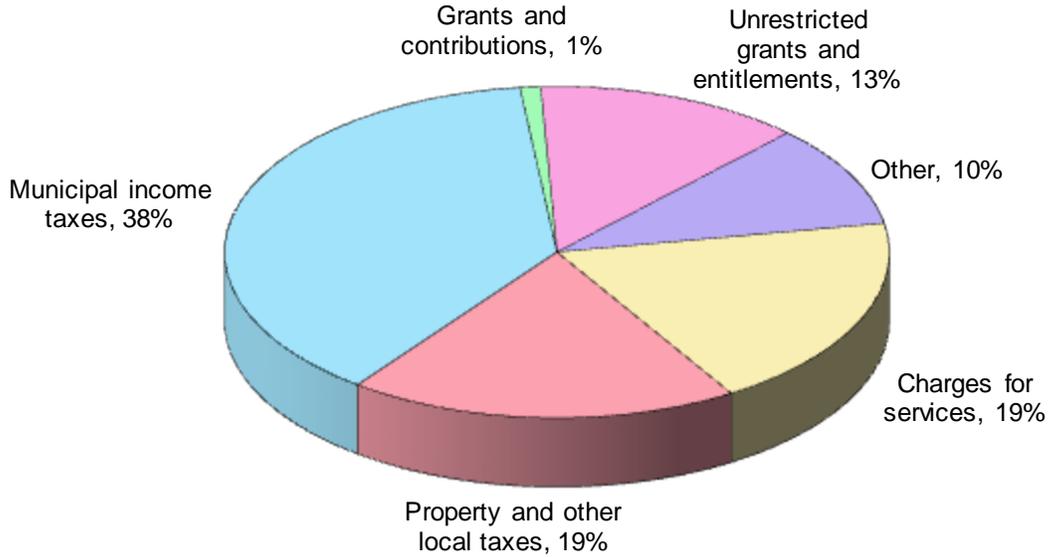
To understand what makes up changes in net position, following are results of activities for the current year compared to the prior year.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 1,212,436	\$ 1,102,724	\$ 2,163,095	\$ 2,032,988	\$ 3,375,531	\$ 3,135,712
Operating grants and contributions	79,453	202,256	-	-	79,453	202,256
Capital grants and contributions	3,450	-	-	-	3,450	-
Total program revenues	<u>1,295,339</u>	<u>1,304,980</u>	<u>2,163,095</u>	<u>2,032,988</u>	<u>3,458,434</u>	<u>3,337,968</u>
General revenues						
Property and other local taxes	1,208,386	1,238,386	-	-	1,208,386	1,238,386
Municipal income taxes	2,414,659	1,972,504	-	-	2,414,659	1,972,504
Grants and entitlements	829,534	845,519	-	-	829,534	845,519
Other	653,394	582,031	11,361	10,972	664,755	593,003
Total general revenues	<u>5,105,973</u>	<u>4,638,440</u>	<u>11,361</u>	<u>10,972</u>	<u>5,117,334</u>	<u>4,649,412</u>
Total revenues	<u>6,401,312</u>	<u>5,943,420</u>	<u>2,174,456</u>	<u>2,043,960</u>	<u>8,575,768</u>	<u>7,987,380</u>
Program expenses						
Security of persons and property	2,839,482	2,731,287	-	-	2,839,482	2,731,287
Public health and welfare	33,900	37,144	-	-	33,900	37,144
Leisure time activities	153,692	136,022	-	-	153,692	136,022
Community environment	171,017	112,233	-	-	171,017	112,233
Basic utility services	717,063	715,222	-	-	717,063	715,222
Transportation	1,282,735	1,342,878	-	-	1,282,735	1,342,878
General government	1,123,866	941,277	-	-	1,123,866	941,277
Interest	120,520	149,799	-	-	120,520	149,799
Water	-	-	723,826	772,271	723,826	772,271
Sewer	-	-	1,008,417	964,048	1,008,417	964,048
Storm water	-	-	269,612	276,038	269,612	276,038
Total program expenses	<u>6,442,275</u>	<u>6,165,862</u>	<u>2,001,855</u>	<u>2,012,357</u>	<u>8,444,130</u>	<u>8,178,219</u>
Increase (decrease) in net position	(40,963)	(222,442)	172,601	31,603	131,638	(190,839)
Net position, beginning of year, as restated	<u>14,020,393</u>	<u>14,242,835</u>	<u>6,103,884</u>	<u>6,072,281</u>	<u>20,124,277</u>	<u>20,315,116</u>
Net position, end of year	<u>\$ 13,979,430</u>	<u>\$ 14,020,393</u>	<u>\$ 6,276,485</u>	<u>\$ 6,103,884</u>	<u>\$ 20,255,915</u>	<u>\$ 20,124,277</u>

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Governmental activities

Revenues by source of governmental activities for 2014 were comprised of:

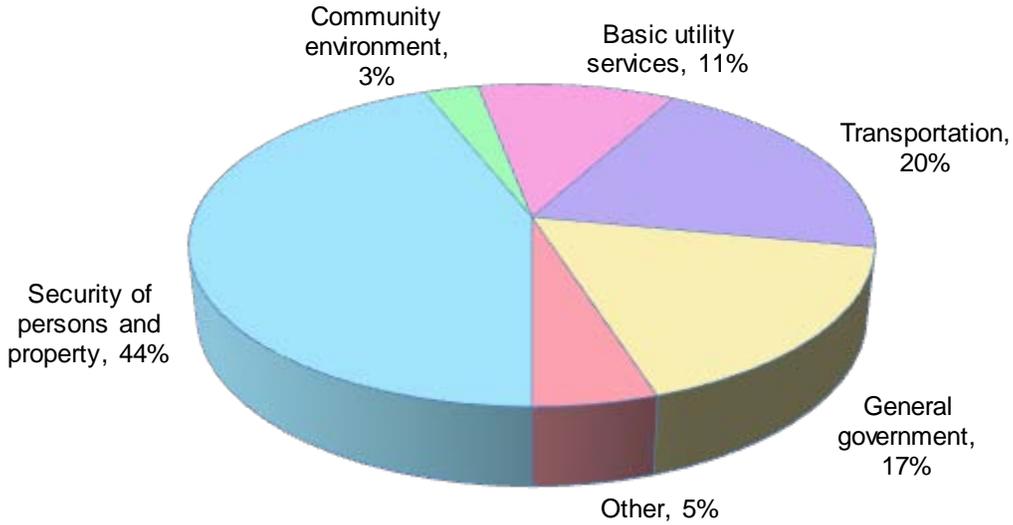


Revenues

For 2014, municipal income taxes, representing 38 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 19 percent, 19 percent, and 13 percent respectively.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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Program expenses of governmental activities for 2014 were comprised of:



Program expenses

Program expenses amounted to \$ 6,442,275 in 2014, of which \$ 1,295,339 was supported by program revenue. Security of persons and property, which includes police, fire and paramedic services, represented \$ 2,839,482 or 44 percent of total program expenses. Community environment represented \$ 171,017 or 3 percent. Basic utilities services of \$ 717,063 or 11 percent includes refuse collections. Transportation, which includes street maintenance and snow removal, represented \$ 1,282,735 or 20 percent of program expenses. General government represented \$ 1,123,866 or 17 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 \$ 308,112 or 5 percent.

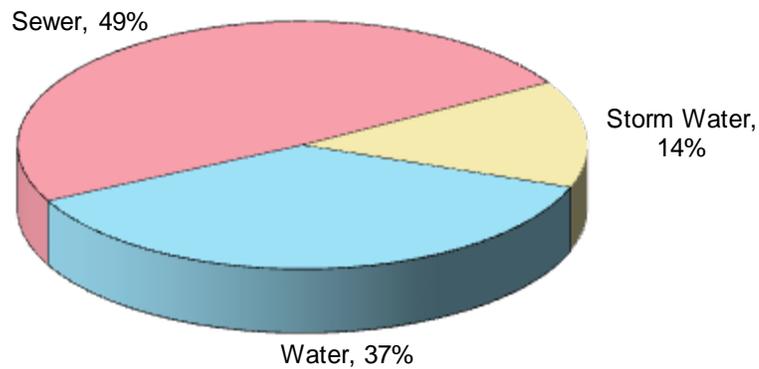
CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Business-type activities

Revenues

Charges for services represented 99.5 percent of total revenues for business-type activities in 2014. Revenues for business-type activities for 2014 were comprised of:

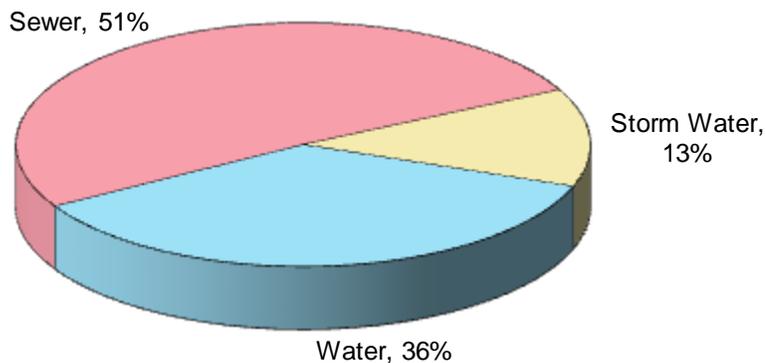
Revenue, Business-type Activities



Expenses

Water operations expenses amounted to \$ 723,826 or 36 percent. Sanitary sewer operations expenses amounted to \$ 1,008,417 or 51 percent of total program expenses and storm water operation expenses amounted to \$ 269,612 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

The City's Funds

The City's governmental funds financial information begins at page 18. Total governmental assets increased by \$ 774,706, total governmental liabilities decreased by \$ 114,494 and deferred inflows of resources increased by \$ 155,927 resulting in an increase in governmental total fund balances of \$ 733,273 to \$ 2,588,641 at year-end 2014. Total governmental funds revenues increased by \$ 228,039 in 2014, while total expenditures decreased by \$ 63,518. Total other financing sources (uses) increased by \$ 498,000. The City's major governmental funds in 2014 consisted of the General Fund and Shoreway Capital Projects Fund. General Fund revenues were \$ 353,312 or 9 percent higher in 2014 than 2013. General Fund total expenditures decreased by \$ 31,386 or 1 percent. Other financing sources (uses) changed to (\$ 111,163) in 2014 from (\$ 72,900) in 2013. Accordingly, the General Fund balance increased by \$ 323,874 to \$ 998,941 at year-end 2014.

The City's proprietary funds information begins at page 23. Water Fund, Sewer and Storm Water net position increased by \$ 75,252, \$ 52,609 and \$ 44,740 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 \$ 3,052,917 and final budgeted receipts were \$ 3,433,836. Original appropriations (excluding other uses) were \$ 3,252,975. The City actually expended \$ 3,275,614 which was \$ 141,281 less than final appropriations.

The City historically spends less than appropriated. For 2014, actual expenditures were 96 percent of final appropriations.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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Capital Assets

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

	Governmental Activities		Business type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 484,539	\$ 484,539	\$ 153,910	\$ 153,910	\$ 638,449	\$ 638,449
Buildings and improvements	2,235,583	2,300,590	108,588	111,303	2,344,171	2,411,893
Equipment and vehicles	793,408	776,587	195,934	215,012	989,342	991,599
Infrastructure	8,842,206	9,415,350	5,715,073	5,885,241	14,557,279	15,300,591
	<u>\$ 12,355,736</u>	<u>\$ 12,977,066</u>	<u>\$ 6,173,505</u>	<u>\$ 6,365,466</u>	<u>\$ 18,529,241</u>	<u>\$ 19,342,532</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 \$ 12,355,736 at December 31, 2014, which was \$ 621,330 lower than the previous year. Business-type capital assets, net of depreciation, decreased by \$ 191,961 to \$ 6,173,505, primarily due to depreciation expense.

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	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 1,241,690	\$ 802,717	\$ -	\$ -	\$ 1,241,690	\$ 802,717
OPWC loans	267,493	286,863	178,304	200,542	445,797	487,405
General obligation bonds	570,000	705,000	895,486	1,064,127	1,465,486	1,769,127
Capital leases	19,039	37,175	-	-	19,039	37,175
	<u>\$ 2,098,222</u>	<u>\$ 1,831,755</u>	<u>\$ 1,073,790</u>	<u>\$ 1,264,669</u>	<u>\$ 3,172,012</u>	<u>\$ 3,096,424</u>

As of December 31, 2014, the City had \$ 3,172,012 of total long-term debt obligations with \$ 1,094,804 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 10 and 11 to the Basic Financial Statements.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Economic Factors and Next Year's Budget

The recent passage of our Income Tax rate of an additional ½ percent has relieved the much stressed safety departments. These funds have allowed the City to bring these departments back up to par with purchases of critical equipment and supplies that have been depleted over time, as well as the ability to hire staff bringing departments back to safe operating levels. The City looks forward to the ability to supply matching funds to obtain grants for the safety departments as well as for our City parks. 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 2016 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.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash	\$ 1,526,337	\$ 1,013,762	\$ 2,540,099
Accounts and other receivable	141,031	247,497	388,528
Due from other governments	439,568	-	439,568
Inventories and supplies	15,212	-	15,212
Prepaid expenses	22,900	4,800	27,700
Income taxes receivable	1,777,900	-	1,777,900
Property taxes receivable	1,433,800	-	1,433,800
Special assessments receivable	-	94,853	94,853
Property held for resale	3,948,147	-	3,948,147
Capital assets			
Nondepreciable capital assets	484,539	153,910	638,449
Depreciable capital assets, net	11,871,197	6,019,595	17,890,792
Total assets	21,660,631	7,534,417	29,195,048
Liabilities			
Accounts and contracts payable	87,848	93,449	181,297
Accrued wages and benefits	57,337	9,447	66,784
Accrued interest payable	13,055	2,200	15,255
Due to other governments	106,232	13,099	119,331
Notes payable	3,045,000	-	3,045,000
Long term liabilities			
Due within one year	996,948	192,238	1,189,186
Due in more than one year	2,110,381	947,499	3,057,880
Total liabilities	6,416,801	1,257,932	7,674,733
Deferred inflows of resources			
Property taxes levied for next year	1,264,400	-	1,264,400
Total deferred inflows of resources	1,264,400	-	1,264,400
Net position			
Net investment in capital assets	10,257,514	5,090,201	15,347,715
Restricted for:			
Debt service	95,405	-	95,405
Capital projects	898,547	-	898,547
Highways and streets	657,513	-	657,513
Public safety	185,883	-	185,883
Recreation	6,627	-	6,627
Community environment	178,283	-	178,283
Other purposes	14,149	-	14,149
Unrestricted	1,685,509	1,186,284	2,871,793
Total net position	\$ 13,979,430	\$ 6,276,485	\$ 20,255,915

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 2,839,482	\$ 388	\$ 14,182	\$ -
Public health and welfare	33,900	-	-	-
Leisure time activities	153,692	24,765	-	-
Community environment	171,017	-	65,271	3,450
Basic utility services	717,063	739,914	-	-
Transportation	1,282,735	18,712	-	-
General government	1,123,866	428,657	-	-
Interest	120,520	-	-	-
Total governmental activities	6,442,275	1,212,436	79,453	3,450
Business-type activities:				
Water	723,826	795,129	-	-
Sewer	1,008,417	1,057,077	-	-
Storm Water	269,612	310,889	-	-
Total business-type activities	2,001,855	2,163,095	-	-
Total	\$ 8,444,130	\$ 3,375,531	\$ 79,453	\$ 3,450

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (2,824,912)	\$ -	\$ (2,824,912)
(33,900)	-	(33,900)
(128,927)	-	(128,927)
(102,296)	-	(102,296)
22,851	-	22,851
(1,264,023)	-	(1,264,023)
(695,209)	-	(695,209)
(120,520)	-	(120,520)
<u>(5,146,936)</u>	<u>-</u>	<u>(5,146,936)</u>
-	71,303	71,303
-	48,660	48,660
-	41,277	41,277
-	161,240	161,240
<u>(5,146,936)</u>	<u>161,240</u>	<u>(4,985,696)</u>
308,494	-	308,494
70,709	-	70,709
829,183	-	829,183
2,015,149	-	2,015,149
399,510	-	399,510
829,534	-	829,534
3,906	-	3,906
649,488	11,361	660,849
<u>5,105,973</u>	<u>11,361</u>	<u>5,117,334</u>
(40,963)	172,601	131,638
14,020,393	6,103,884	20,124,277
<u>\$ 13,979,430</u>	<u>\$ 6,276,485</u>	<u>\$ 20,255,915</u>

CITY OF SHEFFIELD LAKE, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources				
Assets				
Equity in pooled cash	\$ 896,660	\$ -	\$ 629,677	\$ 1,526,337
Income taxes receivables	1,475,657	-	302,243	1,777,900
Property taxes receivable	367,100	-	1,066,700	1,433,800
Due from other governments	120,376	-	319,192	439,568
Accounts and other receivable	141,031	-	-	141,031
Inventories and supplies	5,729	-	9,483	15,212
Prepaid expenses	21,600	-	1,300	22,900
Property held for resale	-	3,948,147	-	3,948,147
Total assets	<u>3,028,153</u>	<u>3,948,147</u>	<u>2,328,595</u>	<u>9,304,895</u>
Total assets and deferred outflows of resources	<u>\$ 3,028,153</u>	<u>\$ 3,948,147</u>	<u>\$ 2,328,595</u>	<u>\$ 9,304,895</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts and contracts payable	\$ 77,899	\$ -	\$ 9,949	\$ 87,848
Accrued wages and benefits	50,213	-	7,124	57,337
Accrued interest payable	-	4,600	-	4,600
Due to other governments	94,651	-	11,581	106,232
Notes payable	-	3,045,000	-	3,045,000
Accrued leave benefits	95,102	-	-	95,102
Total liabilities	<u>317,865</u>	<u>3,049,600</u>	<u>28,654</u>	<u>3,396,119</u>
Deferred Inflows				
Property taxes levied for next year and unavailable resources	1,711,347	-	1,608,788	3,320,135
Total deferred inflows of resources	<u>1,711,347</u>	<u>-</u>	<u>1,608,788</u>	<u>3,320,135</u>
Fund balances				
Nonspendable	27,329	-	10,783	38,112
Restricted	-	898,547	680,370	1,578,917
Assigned	394,399	-	-	394,399
Unassigned	577,213	-	-	577,213
Total fund balances	<u>998,941</u>	<u>898,547</u>	<u>691,153</u>	<u>2,588,641</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,028,153</u>	<u>\$ 3,948,147</u>	<u>\$ 2,328,595</u>	<u>\$ 9,304,895</u>

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, 2014

Total governmental funds balances	\$	2,588,641
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.		12,355,736
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	169,400	
Municipal income tax	1,481,693	
Intergovernmental	404,642	
Total	2,055,735	
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.		(8,455)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable	(1,241,690)	
OPWC loans payable	(267,493)	
General obligation bonds	(570,000)	
Capital leases	(19,039)	
Accrued leave benefits	(914,005)	
	(3,012,227)	
Net position of governmental activities	\$	13,979,430

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, 2014

	General	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and other local taxes	\$ 303,994	\$ -	\$ 886,692	\$ 1,190,686
Municipal income taxes	1,864,642	-	417,447	2,282,089
Intergovernmental revenue	240,523	-	667,857	908,380
Charges for services	1,056,523	-	-	1,056,523
Fines, licenses, and permits	199,649	-	1,788	201,437
Interest	3,737	-	169	3,906
Miscellaneous	576,234	-	27,730	603,964
Total revenues	4,245,302	-	2,001,683	6,246,985
Expenditures				
Current				
Security of persons and property	1,783,752	-	947,328	2,731,080
Public health and welfare	33,900	-	-	33,900
Leisure time activities	104,983	-	-	104,983
Community environment	95,939	-	72,889	168,828
Basic utility services	696,915	-	-	696,915
Transportation	-	-	705,258	705,258
General government	968,380	-	2,537	970,917
Capital outlay	26,159	-	222,794	248,953
Debt service				
Note principal	-	-	209,027	209,027
Bond principal	45,000	-	90,000	135,000
OPWC loan principal	2,358	-	17,012	19,370
Capital lease principal	18,136	-	-	18,136
Interest and fiscal charges	34,743	31,263	53,339	119,345
Total expenditures	3,810,265	31,263	2,320,184	6,161,712
Excess (deficiency) of revenues over expenditures	435,037	(31,263)	(318,501)	85,273
Other financing sources (uses)				
Transfers-in	-	111,163	-	111,163
Note proceeds	-	-	648,000	648,000
Transfers-out	(111,163)	-	-	(111,163)
Total other financing sources (uses)	(111,163)	111,163	648,000	648,000
Net change in fund balance	323,874	79,900	329,499	733,273
Fund balances, beginning of year	675,067	818,647	361,654	1,855,368
Fund balances, end of year	<u>\$ 998,941</u>	<u>\$ 898,547</u>	<u>\$ 691,153</u>	<u>\$ 2,588,641</u>

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, 2014

Net change in fund balances - total governmental funds	\$	733,273
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
	Capital outlay, net	\$ 119,574
	Depreciation expense	<u>(740,904)</u>
		(621,330)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
	Municipal income tax	132,570
	Property and other local taxes	17,700
	Intergovernmental revenue	<u>4,057</u>
		154,327
<p>Debt proceeds are an other financing source in the funds, but increase long-term liabilities in the Statement of Net Position</p>		
		(648,000)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
	Note principal paid	209,027
	OPWC loan principal paid	19,370
	Bond principal paid	135,000
	Capital lease principal paid	<u>18,136</u>
		381,533
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		(1,175)
<p>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.</p>		
	Accrued leave benefits	<u>(39,591)</u>
Change in net position of governmental activities	\$	<u><u>(40,963)</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, 2014

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Property and other local taxes	\$ 306,749	\$ 303,994	\$ 303,994	\$ -
Municipal income taxes	1,649,000	1,806,052	1,806,052	-
Intergovernmental revenue	246,631	238,744	238,744	-
Charges for services	304,050	305,426	305,426	-
Fines, licenses, and permits	188,800	199,649	199,649	-
Interest	1,500	3,737	3,737	-
Miscellaneous	356,187	576,234	576,234	-
Total revenues	3,052,917	3,433,836	3,433,836	-
Expenditures				
Current				
Security of persons and property	1,805,957	1,916,053	1,839,118	76,935
Public health and welfare	45,895	42,295	38,427	3,868
Leisure time activities	96,508	108,258	105,120	3,138
Community environment	96,405	96,055	95,303	752
General government	1,010,865	1,024,109	979,270	44,839
Capital outlay	5,048	37,828	26,160	11,668
Debt service				
Bond principal	45,000	45,000	45,000	-
OPWC loan principal	2,358	2,358	2,358	-
Interest and fiscal charges	144,939	144,939	144,858	81
Total expenditures	3,252,975	3,416,895	3,275,614	141,281
Excess (deficiency) of revenues over expenditures	(200,058)	16,941	158,222	141,281
Other financing sources (uses)				
Transfers-in	-	65,271	65,271	-
Transfers-out	-	(65,271)	(65,271)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(200,058)	16,941	158,222	141,281
Prior year encumbrances	23,685	23,685	23,685	-
Fund balances, beginning of year	570,825	570,825	570,825	-
Fund balances, end of year	\$ 394,452	\$ 611,451	\$ 752,732	\$ 141,281

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FUND NET POSITION -
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets				
Current assets				
Equity in pooled cash	\$ 155,809	\$ 766,316	\$ 91,637	\$ 1,013,762
Accounts and other receivable	76,283	133,437	37,777	247,497
Prepaid expenses	2,000	2,500	300	4,800
Total current assets	<u>234,092</u>	<u>902,253</u>	<u>129,714</u>	<u>1,266,059</u>
Noncurrent assets				
Special assessments receivable	-	-	94,853	94,853
Nondepreciable capital assets	-	33,500	120,410	153,910
Depreciable capital assets, net	469,507	469,036	5,081,052	6,019,595
Total noncurrent assets	<u>469,507</u>	<u>502,536</u>	<u>5,296,315</u>	<u>6,268,358</u>
Total assets	<u>703,599</u>	<u>1,404,789</u>	<u>5,426,029</u>	<u>7,534,417</u>
Liabilities				
Current				
Accounts and contracts payable	\$ 36,713	\$ 55,236	\$ 1,500	93,449
Accrued wages and benefits	3,245	4,704	1,498	9,447
Accrued interest payable	-	-	2,200	2,200
Due to other governments	5,748	6,599	752	13,099
OPWC loans payable	-	-	22,238	22,238
General obligation bonds payable	-	-	170,000	170,000
Total current liabilities	<u>45,706</u>	<u>66,539</u>	<u>198,188</u>	<u>310,433</u>
Long-term liabilities				
OPWC loans payable	-	-	156,066	156,066
General obligation bonds payable	-	-	725,486	725,486
Accrued leave benefits	25,429	38,143	2,375	65,947
Total long-term liabilities	<u>25,429</u>	<u>38,143</u>	<u>883,927</u>	<u>947,499</u>
Total liabilities	<u>71,135</u>	<u>104,682</u>	<u>1,082,115</u>	<u>1,257,932</u>
Net position				
Net investment in capital assets	469,507	502,536	4,118,158	5,090,201
Unrestricted	162,957	797,571	225,756	1,186,284
Total net position	<u>\$ 632,464</u>	<u>\$ 1,300,107</u>	<u>\$ 4,343,914</u>	<u>\$ 6,276,485</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, 2014

	Business-Type Activities - Enterprise Funds			Total
	Water	Sewer	Storm Water	
Operating revenues				
Charges for services	\$ 795,129	\$ 1,057,077	\$ 310,889	\$ 2,163,095
Miscellaneous	3,949	3,949	3,463	11,361
Total operating revenues	<u>799,078</u>	<u>1,061,026</u>	<u>314,352</u>	<u>2,174,456</u>
Operating expenses				
Personal services	225,517	320,035	81,343	626,895
Contractual services	448,980	593,546	2,200	1,044,726
Supplies and materials	22,703	60,416	2,751	85,870
Other operating	9,266	8,302	-	17,568
Depreciation	17,360	26,118	152,483	195,961
Total operating expenses	<u>723,826</u>	<u>1,008,417</u>	<u>238,777</u>	<u>1,971,020</u>
Operating income	<u>75,252</u>	<u>52,609</u>	<u>75,575</u>	<u>203,436</u>
Nonoperating revenues (expenses)				
Interest and fiscal charges	-	-	(30,835)	(30,835)
Net nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(30,835)</u>	<u>(30,835)</u>
Change in net position	75,252	52,609	44,740	172,601
Net position, beginning of year	<u>557,212</u>	<u>1,247,498</u>	<u>4,299,174</u>	<u>6,103,884</u>
Net position, end of year	<u>\$ 632,464</u>	<u>\$ 1,300,107</u>	<u>\$ 4,343,914</u>	<u>\$ 6,276,485</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, 2014

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 800,333	\$ 1,041,482	\$ 304,374	\$ 2,146,189
Cash paid to suppliers for materials and supplies	(24,599)	(44,718)	(1,500)	(70,817)
Cash paid for employee services and benefits	(227,707)	(321,756)	(80,121)	(629,584)
Cash paid for contractual services	(451,573)	(562,392)	(2,200)	(1,016,165)
Other operating revenues	3,949	3,949	3,463	11,361
Other operating expenses	(9,266)	(8,302)	-	(17,568)
Net cash provided by operating activities	<u>91,137</u>	<u>108,263</u>	<u>224,016</u>	<u>423,416</u>
Cash flows from capital and related financing activities:				
OPWC loans payments	-	-	(22,238)	(22,238)
Bond principal payments	-	-	(170,000)	(170,000)
Payment of interest and fiscal charges	-	-	(29,676)	(29,676)
Acquisition of fixed assets	(1,000)	(3,000)	-	(4,000)
Net cash (used in) capital and related financing activities	<u>(1,000)</u>	<u>(3,000)</u>	<u>(221,914)</u>	<u>(225,914)</u>
Net increase in equity in pooled cash	90,137	105,263	2,102	197,502
Equity in pooled cash, beginning of year	<u>65,672</u>	<u>661,053</u>	<u>89,535</u>	<u>816,260</u>
Equity in pooled cash, end of year	<u>\$ 155,809</u>	<u>\$ 766,316</u>	<u>\$ 91,637</u>	<u>\$ 1,013,762</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, 2014
(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 75,252	\$ 52,609	\$ 75,575	\$ 203,436
Adjustments:				
Depreciation	17,360	26,118	152,483	195,961
Changes in net position (increase) decrease and liabilities increase (decrease)				
Accounts and other receivable	5,204	(15,595)	(6,515)	(16,906)
Accounts and contracts payable	(4,489)	46,852	1,251	43,614
Accrued wages and benefits	(285)	(590)	223	(652)
Due to other governments	(3,567)	(3,624)	61	(7,130)
Accrued leave benefits	1,662	2,493	938	5,093
Net cash provided by operating activities	<u>\$ 91,137</u>	<u>\$ 108,263</u>	<u>\$ 224,016</u>	<u>\$ 423,416</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2014

	<u>Agency Funds</u>
Assets	
Equity in pooled cash	\$ 40,827
Cash and investments w ith fiscal agents	6,943
Property taxes receivable	330,700
Due from other governments	<u>16,200</u>
Total assets	<u>\$ 394,670</u>
Liabilities	
Accounts payable	\$ 100
Due to others	47,670
Due to other governments	<u>346,900</u>
Total liabilities	<u>\$ 394,670</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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes and certain other receivables that will not be collected within the available period. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

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.

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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS (continued)

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, 2014 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, 2014

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. UNPAID COMPENSATED ABSENCES

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 compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current 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, 2014

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 \$ 2,036,407 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, 2014

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. EXTRAORDINARY AND SPECIAL ITEMS

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

T. USE OF ESTIMATES

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

A. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2014, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 69 "Government Combinations and Disposals of Government Operations." This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2013. The implementation of GASB Statement No. 69 did not have any effect on the financial statements of the City.

For fiscal year 2014, the City has implemented GASB Statement No. 70 "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. The provisions of this Statement are effective for financial statements periods beginning after June 15, 2013. The implementation of GASB Statement No 70 did not have any effect on the financial statements of the City.

B. PRIOR PERIOD ADJUSTMENT

The City amended the beginning balance of Governmental Activities net position to more accurately present its liability for compensated absences. The restatement was the result of a correction to compensated absences to properly reflect the terms of negotiated labor contracts.

	Governmental Activities	Business-type Activities	Total
Net position at 12/31/2013			
As previously presented	\$ 14,372,193	\$ 6,103,884	\$ 20,476,077
Restated for:			
Compensated absences	(351,800)	-	(351,800)
Net position at 12/31/2013, as restated	\$ 14,020,393	\$ 6,103,884	\$ 20,124,277

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

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	\$ 158,222
Adjustments, increase (decrease)	
Revenue accruals	6,281
Expenditure accruals	92,131
Funds budgeted elsewhere **	42,999
Encumbrances	24,241
GAAP basis, as reported	\$ 323,874

** 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, 2014

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	\$ 5,729	\$ -	\$ 9,483	\$ 15,212
Prepaid expenses	21,600	-	1,300	22,900
Total nonspendable	<u>27,329</u>	<u>-</u>	<u>10,783</u>	<u>38,112</u>
Restricted for:				
Shoreway capital project	-	898,547	-	898,547
Debt service	-	-	81,505	81,505
Capital projects	-	-	375,206	375,206
Highways and streets	-	-	156,842	156,842
Public safety	-	-	21,583	21,583
Recreation	-	-	6,627	6,627
Community environment	-	-	24,458	24,458
Other	-	-	14,149	14,149
Total restricted	<u>-</u>	<u>898,547</u>	<u>680,370</u>	<u>1,578,917</u>
Assigned for:				
Encumbrances	5,414	-	-	5,414
Next year's appropriations	235,160	-	-	235,160
Refuse services	153,825	-	-	153,825
Total assigned	<u>394,399</u>	<u>-</u>	<u>-</u>	<u>394,399</u>
Unassigned	<u>577,213</u>	<u>-</u>	<u>-</u>	<u>577,213</u>
Total fund balances	<u>\$ 998,941</u>	<u>\$ 898,547</u>	<u>\$ 691,153</u>	<u>\$ 2,588,641</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014

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 \$ 2,587,669 and the bank balance was \$ 2,649,321. Of the bank balance, \$ 2,649,321 was covered by federal depository insurance.

Cash on hand at December 31, 2014 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, 2014, 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, 2014

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 2014 for real and public utility property taxes represents collections of the 2013 taxes. Property tax payments received during 2014 for tangible personal property (other than public utility property) is for 2014 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014 was \$ 18.61 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	\$ 130,691,780
Commercial/industrial	14,558,770
Tangible personal property	
Public utilities	<u>2,142,600</u>
Total valuation	<u><u>\$ 147,393,150</u></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 and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2014 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 2014 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, 2014

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	\$ 144,344
Gasoline tax	140,750
Permissive tax	43,750
Homestead and rollback	70,200
Estate tax	5,598
Miscellaneous	34,926
Total governmental activities	439,568
Agency Fund	
Homestead and rollback	16,200
Total due from other governments	\$ 455,768

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 CAPITAL ASSETS

A summary of changes in capital assets during 2014 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	-	-	3,698,872
Equipment and vehicles	2,257,365	119,574	-	2,376,939
Infrastructure	38,263,896	-	-	38,263,896
Total capital assets being depreciated	<u>44,220,133</u>	<u>119,574</u>	<u>-</u>	<u>44,339,707</u>
Less accumulated depreciation				
Buildings and improvements	1,398,282	65,007	-	1,463,289
Equipment and vehicles	1,480,778	102,753	-	1,583,531
Infrastructure	28,848,546	573,144	-	29,421,690
Total accumulated depreciation	<u>31,727,606</u>	<u>740,904</u>	<u>-</u>	<u>32,468,510</u>
Total capital assets being depreciated, net	<u>12,492,527</u>	<u>(621,330)</u>	<u>-</u>	<u>11,871,197</u>
Total governmental capital assets, net	<u>\$ 12,977,066</u>	<u>\$ (621,330)</u>	<u>\$ -</u>	<u>\$ 12,355,736</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 153,910	\$ -	\$ -	\$ 153,910
Total capital assets, not being depreciated	<u>153,910</u>	<u>-</u>	<u>-</u>	<u>153,910</u>
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	612,400	4,000	-	616,400
Infrastructure	11,880,736	-	-	11,880,736
Total capital assets being depreciated	<u>12,643,954</u>	<u>4,000</u>	<u>-</u>	<u>12,647,954</u>
Less accumulated depreciation				
Buildings and improvements	39,515	2,715	-	42,230
Equipment and vehicles	397,388	23,078	-	420,466
Infrastructure	5,995,495	170,168	-	6,165,663
Total accumulated depreciation	<u>6,432,398</u>	<u>195,961</u>	<u>-</u>	<u>6,628,359</u>
Total capital assets being depreciated, net	<u>6,211,556</u>	<u>(191,961)</u>	<u>-</u>	<u>6,019,595</u>
Total business-type capital assets, net	<u>\$ 6,365,466</u>	<u>\$ (191,961)</u>	<u>\$ -</u>	<u>\$ 6,173,505</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$ 80,750
Leisure time activities	46,634
Basic utility services	20,148
Transportation	573,684
General government	19,688
	<u>\$ 740,904</u>

NOTE 9 NOTES PAYABLE

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

	Balance, 12/31/13	Additions	Reductions	Balance, 12/31/14
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Shoreway Capital Project fund				
1.00% issued 11/8/13, due 11/7/14	\$ 3,125,000	\$ -	\$ 3,125,000	\$ -
Shoreway Capital Project fund				
1.00% issued 11/6/14, due 11/6/15	-	3,045,000	-	3,045,000
	<u>\$ 3,125,000</u>	<u>\$ 3,045,000</u>	<u>\$ 3,125,000</u>	<u>\$ 3,045,000</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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	2014	2015	0.95%	648,000
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, 2014

NOTE 10 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2014 were as follows:

	Restated Outstanding 12/31/13	Additions	Reductions	Outstanding 12/31/14	Due in One Year
<u>Governmental activities</u>					
General obligation bonds					
Building improvement (1996) 6.20% through 2016	\$ 45,000	\$ -	\$ 15,000	\$ 30,000	\$ 15,000
Street improvement (2003) 3.60% - 5.00% through 2018	490,000	-	90,000	400,000	95,000
Street improvement (1998) 5.00% - 5.20% through 2018	170,000	-	30,000	140,000	30,000
	<u>705,000</u>	<u>-</u>	<u>135,000</u>	<u>570,000</u>	<u>140,000</u>
Tax anticipation note	521,905	-	40,000	481,905	40,000
Bond anticipation notes	150,000	648,000	150,000	648,000	648,000
Highway improvement note	76,107	-	19,027	57,080	19,027
911 system improvement note	54,705	-	-	54,705	16,410
OPWC loans	286,863	-	19,370	267,493	19,370
Capital leases	37,175	-	18,136	19,039	19,039
Accrued leave benefits	969,279	134,693	94,865	1,009,107	95,102
Total governmental activities	<u>\$ 2,801,034</u>	<u>\$ 782,693</u>	<u>\$ 476,398</u>	<u>\$ 3,107,329</u>	<u>\$ 996,948</u>
<u>Business-type activities</u>					
General obligation bonds					
Storm water improvement 1.00% - 3.70% through 2021	\$ 1,075,000	\$ -	\$ 170,000	\$ 905,000	\$ 170,000
Less deferred amount on refundings	(10,873)	-	(1,359)	(9,514)	-
OPWC loans	200,542	-	22,238	178,304	22,238
Accrued leave benefits	60,854	5,093	-	65,947	-
Total business-type activities	<u>\$ 1,325,523</u>	<u>\$ 5,093</u>	<u>\$ 190,879</u>	<u>\$ 1,139,737</u>	<u>\$ 192,238</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, excluding accrued leave benefits, are as follows:

Governmental Activities						
Year	General Obligation Bonds		Bond Anticipation Notes		Highway Improvement Note	911 System Improvement Note
	Principal	Interest	Principal	Interest	Principal	Principal
2015	\$ 140,000	\$ 29,084	\$ 648,000	\$ 6,156	\$ 19,027	\$ 16,410
2016	150,000	21,874	-	-	19,027	5,470
2017	135,000	14,150	-	-	19,026	5,470
2018	145,000	7,330	-	-	-	5,471
2019	-	-	-	-	-	5,471
2020-2024	-	-	-	-	-	16,413
2025-2029	-	-	-	-	-	-
2030-2033	-	-	-	-	-	-
	<u>\$ 570,000</u>	<u>\$ 72,438</u>	<u>\$ 648,000</u>	<u>\$ 6,156</u>	<u>\$ 57,080</u>	<u>\$ 54,705</u>

Governmental Activities					
Year	Tax Anticipation Note		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 40,000	\$ 23,035	\$ 19,370	\$ 882,807	\$ 58,275
2016	40,000	21,123	19,370	233,867	42,997
2017	40,000	19,211	17,012	216,508	33,361
2018	40,000	17,299	17,012	207,483	24,629
2019	40,000	15,387	17,012	62,483	15,387
2020-2024	200,000	48,255	85,060	301,473	48,255
2025-2029	81,905	5,948	72,617	154,522	5,948
2030-2033	-	-	20,040	20,040	-
	<u>\$ 481,905</u>	<u>\$ 150,258</u>	<u>\$ 267,493</u>	<u>\$ 2,079,183</u>	<u>\$ 228,852</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 LONG-TERM DEBT (continued)

Year	Business-Type Activities				
	General Obligation Bonds		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 170,000	\$ 26,116	\$ 22,238	\$ 192,238	\$ 26,116
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
2020-2024	240,000	13,274	67,110	307,110	13,274
	<u>\$ 905,000</u>	<u>\$ 108,324</u>	<u>\$ 178,304</u>	<u>\$ 1,083,304</u>	<u>\$ 108,324</u>

NOTE 11 CAPITAL LEASES

The City is obligated under certain leases accounted for as capital leases. The leased assets are included in capital assets and the related obligations are included under long-term debt. At December 31, 2014, assets under capital lease totaled \$ 90,390 in governmental activities, with related accumulated depreciation of \$ 56,946. The leases are in effect until 2015. 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, 2014.

Year Ending December 31,		Governmental Activities
2015	Total minimum lease payments	\$ 19,944
	Less amount representing interest	<u>(905)</u>
	Net present value of minimum lease payments	<u>\$ 19,039</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, 2014 was \$ 13,272. 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, 2014.

Year ending December 31	Amount
2015	\$ 13,618
2016	10,553
2017	3,066
2018	413
Total minimum payments	<u>\$ 27,650</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan—a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided 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/investments/cafr.shtml>, 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 statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2014 member contribution rates were 10.0 percent of earnable salary for members in state and local classifications. Public safety and law enforcement members contributed 12.0 percent and 13.0 percent, respectively.

The 2014 employer contribution rate for state and local employers was 14.0 percent of earnable salary. The law enforcement and public safety division employer contribution rate was 18.1 percent of earnable salary.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012, were \$ 196,130, \$ 173,274, and \$ 136,475, respectively. For 2014, \$ 181,212 (92.39 percent) has been contributed. The balance was subsequently contributed in 2015. The full amount has been contributed for 2013 and 2012.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F 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. OP&F 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50 percent of their annual covered salary. Throughout 2014 employers were required to contribute 19.50 percent and 24.00 percent respectively for police officers and firefighters.

The City's contributions to OP&F for police and firefighters pensions, respectively, were \$ 89,010 and \$ 196,680 for the year ended December 31, 2014, \$ 74,498 and \$ 176,518 for the year ended December 31, 2013, and \$ 71,885 and \$ 146,393 for the year ended December 31, 2012. The full amount has been contributed for 2013 and 2012. For 2014, \$ 81,510 (91.57 percent) and \$ 181,166 (92.11 percent) has been contributed for police and firefighters pensions, respectively. The balance was subsequently paid in 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 a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0 percent for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees 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 City contributions to fund postemployment benefits for the years ended December 31, 2014, 2013, and 2012, were \$ 30,150, \$ 13,323 and \$ 54,590, respectively. For 2014, \$ 27,856 (92.39 percent) has been contributed. The balance was subsequently contributed in 2015. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F 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.

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F 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 OP&F 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 percent of covered payroll from January 1, 2014 through December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees 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 actual contributions to fund postemployment health care benefits for police and firefighters were \$ 2,282 and \$ 4,098 for the year ended December 31, 2014, \$ 16,963 and \$ 30,639 for the year ended December 31, 2013, and \$ 38,057 and \$ 60,809 for the year ended December 31, 2012. The full amount has been contributed for 2013 and 2012. For 2014, \$ 2,090 (91.57 percent) and \$ 3,774 (92.11 percent) has been contributed for police and firefighters, respectively. The balance was subsequently paid in 2015.

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, 2014, 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, 2014.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

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.

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 2014. 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, 2014 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	\$ 111,163

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Mayor and Members of City Council
City Sheffield Lake, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Sheffield Lake, Ohio's basic financial statements, and have issued our report thereon dated June 3, 2015, wherein we noted that the City restated its December 31, 2013 net position of governmental activities due to an understatement of compensated absences.

Internal Control Over Financial Reporting

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

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

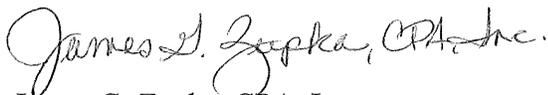
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of This Report

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 3, 2015

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY, OHIO
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The prior audit report, as of December 31, 2013, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



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
JULY 30, 2015**