

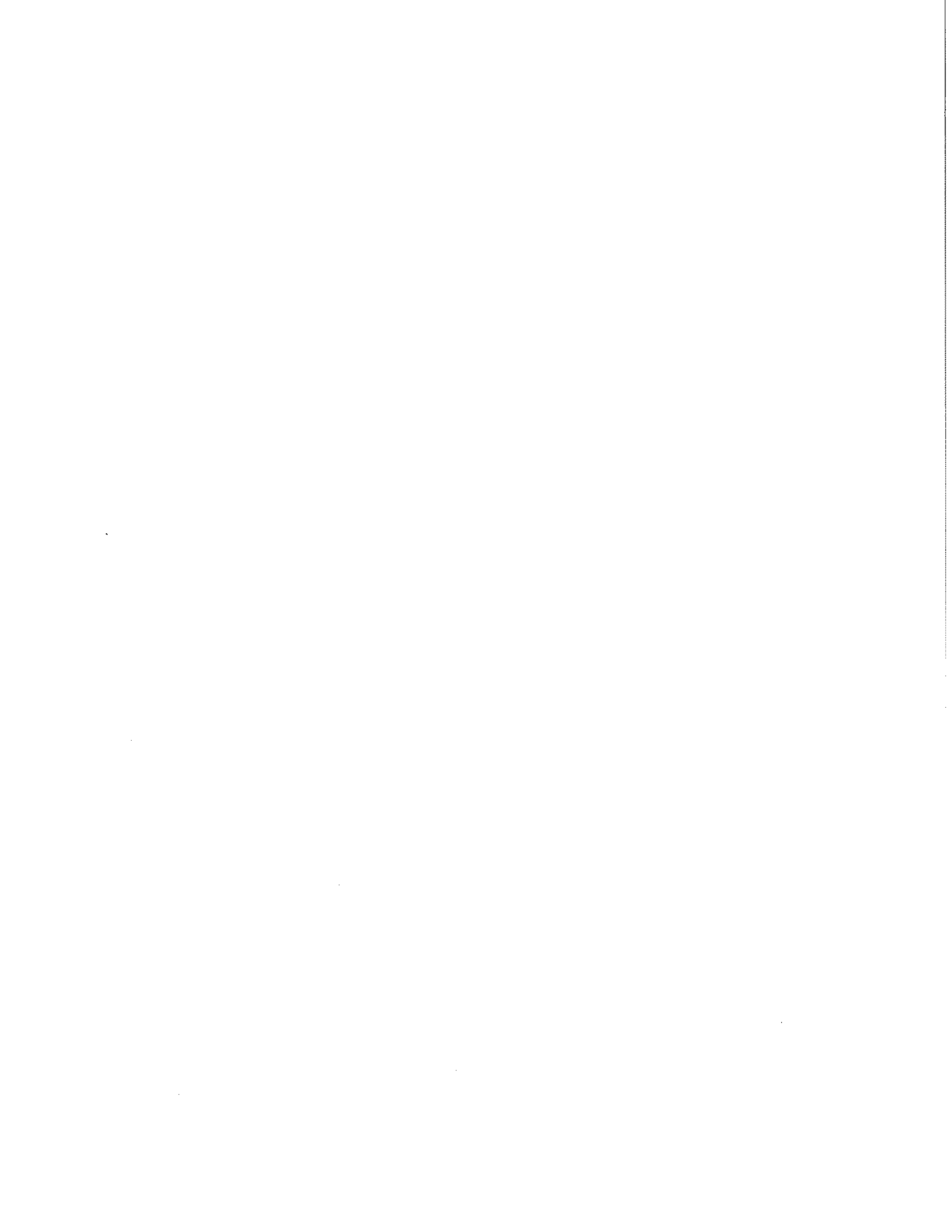


Dave Yost • Auditor of State

**City of Eastlake
Lake County, Ohio**

**General Purpose External Financial Statements
For the Year Ended December 31, 2014**

Local Government Services Section



City of Eastlake, Ohio
Basic Financial Statements
For the Year Ended December 31, 2014
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Dave Yost • Auditor of State

Members of Council
City of Eastlake
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

Accountant's Compilation Report

We have compiled the accompanying basic financial statements of the City of Eastlake as of and for the year ended December 31, 2014. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board and was prepared by management. We did not compile the information nor do we express an opinion or provide any assurance thereon.

DAVE YOST
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

July 23, 2015

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City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2014 are as follows:

- During 2014, the City issued \$300,000 in general obligation bonds for the purpose of constructing a new salt storage facility.
- The City continues to focus on the maintenance and repair of sidewalks and streets. The City is working on repairs to Erieview Drive and Kalene Court.

Using This Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of Eastlake's basic financial statements. These statements are organized so that readers can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasing detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

The City of Eastlake as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Eastlake, Ohio
Management's Discussion and Analysis
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The *statement of net position* presents information on all of the City of Eastlake's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between all the elements reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Eastlake is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax evaluation and the condition of the City's assets.

The *statement of activities* presents information showing how the government's net position changed during the recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Eastlake that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Eastlake include general government, security of persons and property (police and fire), public health services, leisure time activities, community environment, basic utility services and transportation. Business-type activities include sanitary sewer and storm water operations.

Reporting the City's Most Significant Funds

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eastlake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Eastlake can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on balances of expendable resources available at the end of the year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Eastlake maintains thirty-six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, general bond retirement debt service fund and the road improvement capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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The City of Eastlake adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

Proprietary Funds The City of Eastlake's proprietary funds are the sanitary sewer and storm water enterprise funds. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds The City uses agency funds to account for the portion of Council payroll donated for civic purposes, insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, construction deposits, and Lake County water collections. The City assigns an agency fund to account for these receipts and disbursements.

Notes to the Basic Financial Statements The notes provide additional information that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

The City as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2014 compared to 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$8,992,176	\$9,503,364	\$4,080,398	\$3,550,043	\$13,072,574	\$13,053,407
Capital Assets, Net	35,211,448	36,161,993	4,455,139	4,580,592	39,666,587	40,742,585
Total Assets	44,203,624	45,665,357	8,535,537	8,130,635	52,739,161	53,795,992
Deferred Outflows of Resources	533,357	556,508	0	0	533,357	556,508
Liabilities						
Current Liabilities	842,209	791,778	65,624	46,007	907,833	837,785
Long-Term Liabilities						
Due Within One Year	1,395,671	1,268,378	83,093	82,915	1,478,764	1,351,293
Due in More Than One Year	13,417,234	14,427,962	142,999	227,789	13,560,233	14,655,751
Total Liabilities	15,655,114	16,488,118	291,716	356,711	15,946,830	16,844,829
Deferred Inflows of Resources	2,191,302	2,199,022	0	0	2,191,302	2,199,022
Net Position						
Net Investment in Capital Assets	22,050,102	22,400,702	4,264,671	4,322,704	26,314,773	26,723,406
Restricted for:						
Capital Projects	831,824	1,212,894	0	0	831,824	1,212,894
Other Purposes	1,318,466	1,383,058	0	0	1,318,466	1,383,058
Unrestricted	2,690,173	2,538,071	3,979,150	3,451,220	6,669,323	5,989,291
Total Net Position	\$26,890,565	\$27,534,725	\$8,243,821	\$7,773,924	\$35,134,386	\$35,308,649

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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Total net position for governmental activities showed a decrease from 2014. This was largely due to decreases in property and income taxes as well as depreciation outpacing capital outlays

Total net position for business-type activities saw an increase due to expenses remaining relatively flat despite a decrease in revenues.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$1,504,736	\$1,997,810	\$2,273,244	\$2,679,712	\$3,777,980	\$4,677,522
Operating Grants and Contributions	1,159,657	1,042,913	0	0	1,159,657	1,042,913
Capital Grants and Interest	390,776	296,462	0	0	390,776	296,462
Total Program Revenues	3,055,169	3,337,185	2,273,244	2,679,712	5,328,413	6,016,897
General Revenues						
Property Taxes	2,068,966	2,644,455	0	0	2,068,966	2,644,455
Income Taxes	6,586,023	7,099,154	0	0	6,586,023	7,099,154
Hotel Taxes	24,069	12,722	0	0	24,069	12,722
Permissive MVL Taxes	146,016	138,130	0	0	146,016	138,130
Grants and Entitlements	1,459,221	1,270,467	137,743	0	1,596,964	1,270,467
Franchise Taxes	276,659	372,764	0	0	276,659	372,764
Investment Earnings	8,264	9,901	0	0	8,264	9,901
Unrestricted Contributions	43,862	21,409	0	0	43,862	21,409
Other	30,481	48,372	0	0	30,481	48,372
Total General Revenues	10,643,561	11,617,374	137,743	0	10,781,304	11,617,374
Total Revenues	\$13,698,730	\$14,954,559	\$2,410,987	\$2,679,712	\$16,109,717	\$17,634,271

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Change in Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Expenses						
General Government	\$3,254,927	\$4,054,108	\$0	\$0	(\$3,254,927)	(\$4,054,108)
Security of Persons and Property	5,973,987	5,760,470	0	0	(5,973,987)	(5,760,470)
Public Health Services	155,388	160,355	0	0	(155,388)	(160,355)
Transportation	2,135,904	1,748,261	0	0	(2,135,904)	(1,748,261)
Community Environment	253,273	278,160	0	0	(253,273)	(278,160)
Basic Utility Services	1,116,612	1,112,544	0	0	(1,116,612)	(1,112,544)
Leisure Time Activities	896,381	926,751	0	0	(896,381)	(926,751)
Interest and Fiscal Charges	558,605	397,292	0	0	(558,605)	(397,292)
Sanitary Sewer	0	0	1,892,587	1,931,524	(1,892,587)	(1,931,524)
Storm Water	0	0	46,316	42,012	(46,316)	(42,012)
Total Program Expenses	<u>14,345,077</u>	<u>14,437,941</u>	<u>1,938,903</u>	<u>1,973,536</u>	<u>(16,283,980)</u>	<u>(16,411,477)</u>
<i>Increase (Decrease) in Net Position before Transfers</i>	(646,347)	3,885,236	472,084	66,207	4,078,940	3,951,443
Transfers	<u>2,187</u>	<u>0</u>	<u>(2,187)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	(644,160)	517,240	469,897	705,554	(174,263)	1,222,794
Net Position Beginning of Year	<u>27,534,725</u>	<u>27,017,485</u>	<u>7,773,924</u>	<u>7,068,370</u>	<u>35,308,649</u>	<u>34,085,855</u>
Net Position End of Year	<u>\$26,890,565</u>	<u>\$27,534,725</u>	<u>\$8,243,821</u>	<u>\$7,773,924</u>	<u>\$35,134,386</u>	<u>\$35,308,649</u>

Governmental Activities

Several revenue sources fund governmental activities with City municipal income tax being the largest contributor. The City has a current municipal income tax rate of 2 percent and grants a 2 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of general revenue for governmental activities. The City collects 3 mills of inside millage and has approved 5.3 mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, and a .5 mill fire levy. The 1.8 mill operating levy was renewed by the voters during 2012. The .5 mill fire levy was renewed by the voters in the November 2010 election. The City is constantly reviewing its fee structure to insure that all fees constitute a fair charge for the cost of providing government services. During 2014, property taxes decreased from the previous years due to property devaluations. Municipal income taxes saw a decrease from 2013 as well due to a larger economic turnaround in 2013. Grants and entitlements increased as a result of small incremental increases in monies received from a number of sources.

Program expenses decreased slightly from 2013 levels. General government expenses decreased due to decreases in personnel costs due to attrition. Security of persons and property costs increased primarily as a result of increased pension costs for the fire department. Transportation expenses increased due to more costs for street projects in 2014. In order to continue to keep costs down, the City is closely monitoring its expenses and keeping a tight budget.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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Table 3
Total and Net Cost of Program Services
Governmental Activities

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$3,254,927	(\$2,902,352)	\$4,054,108	(\$3,474,720)
Security of Persons and Property	5,973,987	(5,203,446)	5,760,470	(4,961,886)
Public Health Services	155,388	(139,282)	160,355	(137,156)
Transportation	2,135,904	(877,853)	1,748,261	(594,258)
Community Environment	253,273	(228,626)	278,160	(235,933)
Basic Utility Services	1,116,612	(698,439)	1,112,544	(632,555)
Leisure Time Activities	896,381	(681,305)	926,751	(666,956)
Interest and Fiscal Charges	558,605	(558,605)	397,292	(397,292)
Total	\$14,345,077	(\$11,289,908)	\$14,437,941	(\$11,100,756)

Business-Type Activities

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. Revenues for 2014 decreased due to a decrease in collections as a result of less customers. The expenses remained relatively flat.

Governmental Funds Financial Analysis

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information can be found beginning on page 16 and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, general bond retirement debt service fund and the road improvement capital projects fund. The general fund expenditures exceeded revenues for the year after transfers out are included, as the result of revenues decreasing from the previous year at a larger rate compared to the decrease in expenditures. The decrease in expenditures is due to continued cost-cutting measures implemented by the City. The general bond retirement saw a small increase in fund balance as a result of the City making smaller long term debt payments. The road improvement capital projects fund had a decrease in fund balance as a result of increased contracts for continued road improvement projects.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2014, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for additional funds to cover overtime and union wage adjustments. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored

City of Eastlake, Ohio
Management's Discussion and Analysis
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closely with regard to revenues and related expenditures. There was a decrease in revenues from the final budget to actual due to less property taxes and municipal income taxes received than expected. There was a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to continue its financial recovery.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows 2014 balances of capital assets as compared to 2013.

Table 4
Capital Assets at December 31
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$7,044,735	\$7,044,736	\$75,556	\$75,556	\$7,120,291	\$7,120,292
Construction in Progress	387,656	217,570	0	0	387,656	217,570
Land Improvements	13,230,545	13,580,669	0	0	13,230,545	13,580,669
Buildings and Improvements	3,862,451	3,908,123	1,853,300	1,914,187	5,715,751	5,822,310
Machinery and Equipment	1,225,768	1,315,137	495,581	504,062	1,721,349	1,819,199
Vehicles	1,882,956	1,998,489	69,292	87,553	1,952,248	2,086,042
Infrastructure	7,577,337	8,097,269	1,961,410	1,999,234	9,538,747	10,096,503
Total Capital Assets	\$35,211,448	\$36,161,993	\$4,455,139	\$4,580,592	\$39,666,587	\$40,742,585

For 2014, the primary additions for governmental activities included the rehabilitation improvements to Erieview Drive and Kalene Court and other road repairs. The City also purchased a new police vehicle and a plow truck. The City disposed of two vehicles during 2014.

There were additions to machinery and equipment as well as sewers, but no disposals from business-type activities in 2014. Additional information concerning the City's capital assets can be found in Note 9 to the basic financial statements.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Debt

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2014.

Table 5
 Outstanding Long-Term Obligations at Year End

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$13,461,727	\$14,026,395	\$0	\$0	\$13,461,727	\$14,026,395
OPWC Loans	274,316	305,857	129,012	136,527	403,328	442,384
ODOT Payable	32,952	65,903	0	0	32,952	65,903
Capital Leases	0	3,455	61,456	121,361	61,456	124,816
Compensated Absences	1,001,035	1,185,898	35,624	52,816	1,036,659	1,238,714
Workers' Compensation Liability	42,875	108,832	0	0	42,875	108,832
Total	\$14,812,905	\$15,696,340	\$226,092	\$310,704	\$15,038,997	\$16,007,044

At December 31, 2014, the general obligation bonds outstanding consist of the 2004 Various Purpose Bonds, 2014 Capital Facility Bonds, 2013 Capital Facilities Refunding Bonds, 2005 City Hall Refunding Bonds and 2011 Various Purpose Refunding Bonds. During 2014, the City issued \$300,000 in new bonds to build and maintain a new salt storage facility. The OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using road improvement capital projects revenues. The other long-term loans consist of money owed to the Ohio Department of Transportation for work done on the access modification to the baseball stadium and parking lot. The payable is being repaid from the road improvement capital projects fund.

In addition to the debt discussed above, the City's long-term obligations also include capital leases, compensated absences and workers' compensation liability. Additional information concerning debt issuances can be found in Note 14 to the basic financial statements.

Current Related Financial Activities

The City maintains a careful watch over its financial operations. This, coupled with an improving economy, should help the City continue to remain financially strong. In addition, the City of Eastlake has a strong internal control system, and has implemented even more stringent budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the Citizens of Eastlake with full disclosure of the financial position of the City.

Contacting the City of Eastlake's Financial Management

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Eastlake, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

City of Eastlake, Ohio
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,272,624	\$3,124,427	\$5,397,051
Accounts Receivable	148,594	802,721	951,315
Intergovernmental Receivable	1,405,022	0	1,405,022
Municipal Income Taxes Receivable	2,437,896	0	2,437,896
Permissive Motor Vehicle Taxes Receivable	43,081	0	43,081
Prepaid Items	94,566	0	94,566
Materials and Supplies Inventory	38,861	10,462	49,323
Property Taxes Receivable	2,434,562	0	2,434,562
Special Assessments Receivable	0	142,788	142,788
Assets Held for Resale	116,970	0	116,970
Nondepreciable Capital Assets	7,432,391	75,556	7,507,947
Depreciable Capital Assets, Net	27,779,057	4,379,583	32,158,640
<i>Total Assets</i>	<u>44,203,624</u>	<u>8,535,537</u>	<u>52,739,161</u>
Deferred Outflows of Resources			
Deferred Amount on Refunding	533,357	0	533,357
Liabilities			
Accounts Payable	218,360	30,983	249,343
Accrued Wages	262,248	16,572	278,820
Matured Compensated Absences Payable	52,750	0	52,750
Intergovernmental Payable	231,719	18,069	249,788
Accrued Interest Payable	77,132	0	77,132
Long-Term Liabilities:			
Due Within One Year	1,395,671	83,093	1,478,764
Due In More Than One Year	13,417,234	142,999	13,560,233
<i>Total Liabilities</i>	<u>15,655,114</u>	<u>291,716</u>	<u>15,946,830</u>
Deferred Inflows of Resources			
Property Taxes	2,191,302	0	2,191,302
Net Position			
Net Investment in Capital Assets	22,050,102	4,264,671	26,314,773
Restricted for:			
Capital Projects	831,824	0	831,824
State Highway	42,133	0	42,133
Street Maintenance	600,808	0	600,808
Permissive Motor Vehicle Tax	210,024	0	210,024
Public Safety Grants	113,116	0	113,116
Recreation and Land Acquisition	180,808	0	180,808
Other Purposes	171,577	0	171,577
Unrestricted	2,690,173	3,979,150	6,669,323
<i>Total Net Position</i>	<u>\$26,890,565</u>	<u>\$8,243,821</u>	<u>\$35,134,386</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Interest
Governmental Activities:				
<i>Current:</i>				
General Government	\$3,254,927	\$352,575	\$0	\$0
Security of Persons and Property	5,973,987	556,929	177,539	36,073
Public Health Services	155,388	16,106	0	0
Transportation	2,135,904	26,680	876,668	354,703
Community Environment	253,273	24,647	0	0
Basic Utility Services	1,116,612	418,173	0	0
Leisure Time Activities	896,381	109,626	105,450	0
Interest and Fiscal Charges	558,605	0	0	0
<i>Total Governmental Activities</i>	<u>14,345,077</u>	<u>1,504,736</u>	<u>1,159,657</u>	<u>390,776</u>
Business-Type Activities:				
Sanitary Sewer	1,892,587	2,222,451	0	0
Storm Water	46,316	50,793	0	0
<i>Total Business-Type Activities</i>	<u>1,938,903</u>	<u>2,273,244</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$16,283,980</u>	<u>\$3,777,980</u>	<u>\$1,159,657</u>	<u>\$390,776</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Police Pension

Fire Pension

Fire Levy

Road Levy

Municipal Income Tax Levied for General Purposes

Hotel Taxes

Permissive Motor Vehicle License Taxes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Interest

Unrestricted Contributions

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$2,902,352)	\$0	(\$2,902,352)
(5,203,446)	0	(5,203,446)
(139,282)	0	(139,282)
(877,853)	0	(877,853)
(228,626)	0	(228,626)
(698,439)	0	(698,439)
(681,305)	0	(681,305)
(558,605)	0	(558,605)
<u>(11,289,908)</u>	<u>0</u>	<u>(11,289,908)</u>
0	329,864	329,864
0	4,477	4,477
<u>0</u>	<u>334,341</u>	<u>334,341</u>
<u>(11,289,908)</u>	<u>334,341</u>	<u>(10,955,567)</u>
970,186	0	970,186
139,150	0	139,150
99,389	0	99,389
99,389	0	99,389
122,850	0	122,850
638,002	0	638,002
6,586,023	0	6,586,023
24,069	0	24,069
146,016	0	146,016
1,459,221	137,743	1,596,964
276,659	0	276,659
8,264	0	8,264
43,862	0	43,862
30,481	0	30,481
<u>10,643,561</u>	<u>137,743</u>	<u>10,781,304</u>
<u>2,187</u>	<u>(2,187)</u>	<u>0</u>
<u>10,645,748</u>	<u>135,556</u>	<u>10,781,304</u>
(644,160)	469,897	(174,263)
<u>27,534,725</u>	<u>7,773,924</u>	<u>35,308,649</u>
<u>\$26,890,565</u>	<u>\$8,243,821</u>	<u>\$35,134,386</u>

City of Eastlake, Ohio

Balance Sheet

Governmental Funds

December 31, 2014

	General	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$622,339	\$8,886	\$346,151	\$1,272,492	\$2,249,868
Accounts Receivable	148,594	0	0	0	148,594
Intergovernmental Receivable	928,422	10,089	39,833	426,678	1,405,022
Municipal Income Taxes Receivable	2,437,896	0	0	0	2,437,896
Permissive Motor Vehicle					
Taxes Receivable	0	0	0	43,081	43,081
Prepaid Items	89,796	0	0	4,770	94,566
Materials and Supplies Inventory	22,930	0	8,417	7,514	38,861
Property Taxes Receivable	1,129,972	161,257	767,322	376,011	2,434,562
Assets Held for Resale	116,970	0	0	0	116,970
Restricted Assets:					
Equity in Pooled Cash and					
Cash Equivalents in Segregated Accounts	22,756	0	0	0	22,756
Total Assets	\$5,519,675	\$180,232	\$1,161,723	\$2,130,546	\$8,992,176
Liabilities					
Accounts Payable	\$145,269	\$0	\$23,894	\$49,197	\$218,360
Accrued Wages	250,559	0	0	11,689	262,248
Matured Compensated Absences Payable	52,750	0	0	0	52,750
Intergovernmental Payable	211,235	0	3,524	16,960	231,719
Total Liabilities	659,813	0	27,418	77,846	765,077
Deferred Inflows of Resources					
Property Taxes	1,020,403	145,488	686,458	338,953	2,191,302
Unavailable Revenue	2,221,611	15,769	120,697	227,609	2,585,686
Total Deferred Inflows of Resources	3,242,014	161,257	807,155	566,562	4,776,988
Fund Balances					
Nonspendable	252,452	0	8,417	12,284	273,153
Restricted	0	18,975	318,733	1,473,854	1,811,562
Assigned	472,761	0	0	0	472,761
Unassigned	892,635	0	0	0	892,635
Total Fund Balances	1,617,848	18,975	327,150	1,486,138	3,450,111
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$5,519,675	\$180,232	\$1,161,723	\$2,130,546	\$8,992,176

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2014*

Total Governmental Funds Balances	\$3,450,111
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	35,211,448
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Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds:

Delinquent Property Taxes	243,260	
Intergovernmental	594,000	
Municipal Income Taxes	1,372,360	
Charges for Services	354,472	
Rentals	200	
Permissive Sales Tax	21,394	
Total		2,585,686

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(77,132)
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Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	533,357
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(13,461,727)	
OPWC Loans Payable	(274,316)	
ODOT Payable	(32,952)	
Compensated Absences Payable	(1,001,035)	
Claims Payable	(42,875)	
Total		<u>(14,812,905)</u>

<i>Net Position of Governmental Activities</i>	<u>\$26,890,565</u>
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See Accountant's Compilation Report

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$991,498	\$142,276	\$651,862	\$328,791	\$2,114,427
Municipal Income Taxes	6,209,530	0	0	0	6,209,530
Hotel Taxes	0	0	0	24,069	24,069
Permissive Motor Vehicle Taxes	0	0	0	124,622	124,622
Intergovernmental	1,459,445	46,915	184,229	1,319,741	3,010,330
Charges for Services	646,742	0	0	0	646,742
Fees, Licenses and Permits	237,905	0	0	171,067	408,972
Franchise Taxes	276,659	0	0	0	276,659
Fines and Forfeitures	123,660	0	0	17,620	141,280
Interest	7,776	0	0	488	8,264
Rentals	1,530	0	0	295,926	297,456
Contributions and Donations	43,862	0	0	0	43,862
Other	27,932	0	0	2,549	30,481
<i>Total Revenues</i>	<u>10,026,539</u>	<u>189,191</u>	<u>836,091</u>	<u>2,284,873</u>	<u>13,336,694</u>
Expenditures					
Current:					
General Government	3,297,315	2,432	0	0	3,299,747
Security of Persons and Property	5,299,866	0	0	403,356	5,703,222
Public Health Services	155,388	0	0	0	155,388
Transportation	257,914	0	0	1,055,857	1,313,771
Community Environment	237,284	0	0	23,365	260,649
Basic Utility Services	82,845	0	0	0	82,845
Leisure Time Activities	553,921	0	0	141,665	695,586
Capital Outlay	0	0	1,070,142	368,262	1,438,404
Debt Service:					
Principal Retirement	3,455	865,000	31,541	0	899,996
Interest and Fiscal Charges	38	556,905	0	0	556,943
<i>Total Expenditures</i>	<u>9,888,026</u>	<u>1,424,337</u>	<u>1,101,683</u>	<u>1,992,505</u>	<u>14,406,551</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>138,513</u>	<u>(1,235,146)</u>	<u>(265,592)</u>	<u>292,368</u>	<u>(1,069,857)</u>
Other Financing Sources (Uses)					
General Obligation Bonds Issued	300,000	0	0	0	300,000
Transfers In	0	1,238,000	2,187	14,400	1,254,587
Transfers Out	(867,400)	0	0	(385,000)	(1,252,400)
<i>Total Other Financing Sources (Uses)</i>	<u>(567,400)</u>	<u>1,238,000</u>	<u>2,187</u>	<u>(370,600)</u>	<u>302,187</u>
<i>Net Change in Fund Balances</i>	<u>(428,887)</u>	<u>2,854</u>	<u>(263,405)</u>	<u>(78,232)</u>	<u>(767,670)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,046,735</u>	<u>16,121</u>	<u>590,555</u>	<u>1,564,370</u>	<u>4,217,781</u>
<i>Fund Balances End of Year</i>	<u>\$1,617,848</u>	<u>\$18,975</u>	<u>\$327,150</u>	<u>\$1,486,138</u>	<u>\$3,450,111</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, 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 (\$767,670)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlays	854,982	
Capital Contributions	170,086	
Depreciation	(1,971,233)	
Total	(946,165)	(946,165)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal. (4,380)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds.

Property Taxes	(45,461)	
Municipal Income Taxes	376,493	
Intergovernmental	(170,762)	
Charges for Services	10,086	
Rentals	200	
Permissive Sales Tax	21,394	
Total	191,950	191,950

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	865,000	
OPWC Loans Payable	31,541	
Capital Leases Payable	3,455	
Total	899,996	899,996

Other financing sources and uses in the governmental funds decreased long-term liabilities in the statement of net position.

General Obligation Bonds Issued		(300,000)
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.

Accrued Interest	21,821	
Amortization of Accounting Loss	(23,151)	
Amortization of Discount	(332)	
Total	(1,662)	(1,662)

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.

ODOT Payable	32,951	
Compensated Absences	184,863	
Claims	65,957	
Total	283,771	283,771

Change in Net Position of Governmental Activities (\$644,160)

See Accountant's Compilation Report

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,136,134	\$1,136,134	\$991,498	(\$144,636)
Municipal Income Taxes	6,662,500	6,662,500	6,335,749	(326,751)
Intergovernmental	1,372,845	1,372,845	1,463,798	90,953
Charges for Services	608,453	608,453	648,764	40,311
Fees, Licenses and Permits	229,448	229,448	244,649	15,201
Franchise Taxes	280,000	280,000	274,325	(5,675)
Fines and Forfeitures	115,976	115,976	123,660	7,684
Interest	7,293	7,293	7,776	483
Contributions and Donations	41,137	41,137	43,862	2,725
Other	23,149	23,149	29,782	6,633
<i>Total Revenues</i>	<u>10,476,935</u>	<u>10,476,935</u>	<u>10,163,863</u>	<u>(313,072)</u>
Expenditures				
Current:				
General Government	3,609,657	3,536,114	3,338,083	198,031
Security of Persons and Property	5,490,955	5,510,955	5,303,714	207,241
Public Health Services	155,388	155,388	155,388	0
Transportation	144,412	492,412	464,877	27,535
Community Environment	273,264	258,319	239,889	18,430
Basic Utility Services	93,174	142,972	82,845	60,127
Leisure Time Activities	680,285	632,285	585,928	46,357
<i>Total Expenditures</i>	<u>10,447,135</u>	<u>10,728,445</u>	<u>10,170,724</u>	<u>557,721</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>29,800</u>	<u>(251,510)</u>	<u>(6,861)</u>	<u>244,649</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	300,000	300,000	0
Transfers Out	(789,400)	(867,400)	(867,400)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(789,400)</u>	<u>(567,400)</u>	<u>(567,400)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(759,600)</u>	<u>(818,910)</u>	<u>(574,261)</u>	<u>244,649</u>
<i>Fund Balance Beginning of Year</i>	800,261	800,261	800,261	0
Prior Year Encumbrances Appropriated	59,877	59,877	59,877	0
<i>Fund Balance End of Year</i>	<u>\$100,538</u>	<u>\$41,228</u>	<u>\$285,877</u>	<u>\$244,649</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2014

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$3,028,472	\$95,955	\$3,124,427
Accounts Receivable	802,721	0	802,721
Accrued Interest Receivable	0	0	0
Special Assessments Receivable	0	0	0
Materials and Supplies Inventory	10,462	0	10,462
<i>Total Current Assets</i>	<u>3,841,655</u>	<u>95,955</u>	<u>3,937,610</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	142,788	0	142,788
Nondepreciable Capital Assets	75,556	0	75,556
Depreciable Capital Assets, Net	4,379,583	0	4,379,583
<i>Total Noncurrent Assets</i>	<u>4,597,927</u>	<u>0</u>	<u>4,597,927</u>
<i>Total Assets</i>	<u>8,439,582</u>	<u>95,955</u>	<u>8,535,537</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	30,983	0	30,983
Accrued Wages	16,572	0	16,572
Intergovernmental Payable	18,069	0	18,069
Compensated Absences Payable	14,122	0	14,122
Capital Leases Payable	61,456	0	61,456
OPWC Loan Payable	7,515	0	7,515
<i>Total Current Liabilities</i>	<u>148,717</u>	<u>0</u>	<u>148,717</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	21,502	0	21,502
Capital Leases Payable	0	0	0
OPWC Loan Payable	121,497	0	121,497
<i>Total Long-Term Liabilities</i>	<u>142,999</u>	<u>0</u>	<u>142,999</u>
<i>Total Liabilities</i>	<u>291,716</u>	<u>0</u>	<u>291,716</u>
Net Position			
Net Investment in Capital Assets	4,264,671	0	4,264,671
Unrestricted	3,883,195	95,955	3,979,150
<i>Total Net Position</i>	<u>\$8,147,866</u>	<u>\$95,955</u>	<u>\$8,243,821</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2014*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenue			
Charges for Services	\$2,218,751	\$50,793	\$2,269,544
Intergovernmental	137,743	0	137,743
Tap-In Fees	3,700	0	3,700
<i>Total Operating Revenues</i>	<u>2,360,194</u>	<u>50,793</u>	<u>2,410,987</u>
Operating Expenses			
Personal Services	387,858	0	387,858
Materials and Supplies	1,304,303	0	1,304,303
Contractual Services	25,909	42,717	68,626
Depreciation	169,286	0	169,286
Other	0	3,599	3,599
<i>Total Operating Expenses</i>	<u>1,887,356</u>	<u>46,316</u>	<u>1,933,672</u>
<i>Operating Income (Loss)</i>	472,838	4,477	477,315
Non-Operating Revenue (Loss)			
Interest and Fiscal Charges	(5,231)	0	(5,231)
<i>Income (Loss) Before Transfers</i>	467,607	4,477	472,084
Transfers Out	(2,187)	0	(2,187)
<i>Change in Net Position</i>	465,420	4,477	469,897
<i>Net Position Beginning of Year</i>	<u>7,682,446</u>	<u>91,478</u>	<u>7,773,924</u>
<i>Net Position End of Year</i>	<u><u>\$8,147,866</u></u>	<u><u>\$95,955</u></u>	<u><u>\$8,243,821</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2014

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,378,241	\$61,029	\$2,439,270
Cash Received from Other Governments	137,743	0	137,743
Cash Payments to Suppliers for Goods and Services	(1,312,638)	(42,717)	(1,355,355)
Cash Payments for Employee Services and Benefits	(402,093)	0	(402,093)
Cash Payments for Other Operating Expenses	0	(3,599)	(3,599)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>801,253</u>	<u>14,713</u>	<u>815,966</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(43,833)	0	(43,833)
Principal Paid on OPWC Loan	(7,515)	0	(7,515)
Principal Paid on Capital Lease	(59,905)	0	(59,905)
Interest Paid on Capital Lease	(3,143)	0	(3,143)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(114,396)</u>	<u>0</u>	<u>(114,396)</u>
Cash Flows from Noncapital Financing Activities			
Transfer Out	(2,187)	0	(2,187)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	684,670	14,713	699,383
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,343,802</u>	<u>81,242</u>	<u>2,425,044</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,028,472</u>	<u>\$95,955</u>	<u>\$3,124,427</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities			
Operating Income	\$472,838	\$4,477	\$477,315
Adjustments:			
Depreciation	169,286	0	169,286
(Increase) Decrease in Assets:			
Accounts Receivable	132,336	10,236	142,572
Special Assessments Receivable	23,454	0	23,454
Materials and Supplies Inventory	914	0	914
Increase (Decrease) in Liabilities:			
Accounts Payable	16,660	0	16,660
Accrued Wages	1,638	0	1,638
Compensated Absences Payable	(17,192)	0	(17,192)
Intergovernmental Payable	1,319	0	1,319
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$801,253</u>	<u>\$14,713</u>	<u>\$815,966</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$239,322</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$239,322</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 1 - Reporting Entity

The City of Eastlake is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective November 3, 1953. The current charter provides for a council-mayor form of government. Elected officials include six council members and a mayor. The council members are elected for five year staggered terms. Two of the council members are elected at large. The mayor is elected for a five year term.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, boards and departments that are not legally separate from the City. For the City of Eastlake, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, sanitary sewer service and general administrative services.

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 organization's 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 organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance 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 for which the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The reporting entity of the City does not include any component units.

The City participates in a jointly governed organization and an insurance purchasing pool. These organizations are the Northeast Ohio Public Energy Council and the Northern Ohio Risk Management Association (NORMA). The City is also involved with the Eastlake Port Authority, a related organization. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

The City's management believes these financial statements present all activities for which the City is financially accountable.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Eastlake 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 more significant of the City's accounting policies are described below.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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.

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 governmental program or business activity 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.

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

General Fund The general fund accounts for and reports all financial resources except those required to be accounted for and reported 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 of Eastlake and/or the general laws of Ohio.

General Bond Retirement Fund The general bond retirement debt service fund is used to account for and report restricted property tax revenues to be used for the payment of principal and interest and fiscal charges on general obligation debt.

Road Improvement Fund The road improvement capital projects fund is used to account for and report restricted monies received from a three percent voted property tax levy for road construction and improvements made to the City.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The other governmental funds of the City account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Fund 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:

Sanitary Sewer Fund The sanitary sewer fund accounts for the operation of the City's sanitary sewer service.

Storm Water Fund The storm water fund accounts for the operations of the storm water collection system within the City.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City only utilizes the agency fund type. The agency funds account for employee payroll withholdings and deductions, insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, construction deposits and Lake County water collections.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a 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 (e.g. revenues) and decreases (e.g. expenses) in total net position.

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 and 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.

Like the government-wide statements, the proprietary funds are accounted for on a 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 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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 and the statements presented for the proprietary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). 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 the 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, interest, Federal and State grants and subsidies, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees and fines and forfeitures.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 revenue. 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 a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue are reported only on the governmental funds balance sheet, and represent receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants and ambulance charges. These amounts are deferred and recognized as an inflow of resources in the period the amounts became available.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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.

Budgetary Data

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 resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the personal services and other object level for all other funds. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as original budgeted amounts reflect the first appropriation resolution 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 appropriation amounts passed by Council during that year.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2014, investments were limited to a money market fund and STAR Ohio. Investments are reported at fair value, which is based on quoted market price or current price.

The City of Eastlake has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price for which the investment could be sold at December 31, 2014.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amounted to \$7,776, of which \$ 6,261 was assigned from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Assets Held for Resale

Assets held for resale represents assets consisting of homes purchased and repaired which will be resold under the Community Development in-fill housing project.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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 enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized; 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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
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All 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	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	50 years	50 years
Buildings and Improvements	50 years	50 years
Machinery and Equipment	5 - 30 years	5 - 30 years
Vehicles	5 - 15 years	5 - 15 years
Infrastructure	25 years	50 years

The City's infrastructure consists of streets, sidewalks, and sanitary sewers and includes infrastructure acquired prior to December 31, 1980.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' 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. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on City policy and length of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements and business-type financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments 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 are recognized as a liability on the governmental fund financial statements when due.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, 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. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include police and fire operations.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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” criteria 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 or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in year 2015's appropriated budget.

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.

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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for sanitary sewer and storm water services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Contributions of Capital

Contributions of capital in the governmental activities financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds initially paid for them are not presented on the financial statements.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
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Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended in the year the bonds are issued.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Estimates

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

Note 3 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), 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 presented for the general fund 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

City of Eastlake, Ohio
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For the Year Ended December 31, 2014

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

	General
GAAP Basis	(\$428,887)
Net Adjustment for Revenue Accruals	137,324
Net Adjustment for Expenditure Accruals	76,520
Encumbrances	(359,218)
Budget Basis	(\$574,261)

Note 4 – Fund Balance

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 fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Unclaimed Monies	\$22,756	\$0	\$0	\$0	\$22,756
Assets Held for Resale	116,970	0	0	0	116,970
Prepaid Items	89,796	0	0	4,770	94,566
Materials and Supplies Inventory	22,930	0	8,417	7,514	38,861
<i>Total Nonspendable</i>	<i>252,452</i>	<i>0</i>	<i>8,417</i>	<i>12,284</i>	<i>273,153</i>
<i>Restricted for</i>					
Road Improvements	0	0	318,733	495,509	814,242
Public Safety	0	0	0	367,222	367,222
Fire Operations	0	0	0	179,045	179,045
Police and Fire Pension	0	0	0	1,863	1,863
Senior Citizens	0	0	0	67,300	67,300
Stadium Maintenance	0	0	0	182,107	182,107
Recreation Land Acquisition	0	0	0	180,808	180,808
Debt Service Payments	0	18,975	0	0	18,975
<i>Total Restricted</i>	<i>0</i>	<i>18,975</i>	<i>318,733</i>	<i>1,473,854</i>	<i>1,811,562</i>
<i>Assigned to</i>					
2015 Appropriations	258,768	0	0	0	258,768
Purchases on order					
Salaries and Benefits	175	0	0	0	175
Materials and Supplies	5,520	0	0	0	5,520
Purchased and Contracted Services	11,459	0	0	0	11,459
Other Purposes	4,813	0	0	0	4,813
Capital Outlay	192,026	0	0	0	192,026
<i>Total Assigned</i>	<i>472,761</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>472,761</i>
<i>Unassigned</i>	<i>892,635</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>892,635</i>
<i>Total Fund Balances</i>	<i>\$1,617,848</i>	<i>\$18,975</i>	<i>\$327,150</i>	<i>\$1,486,138</i>	<i>\$3,450,111</i>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
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Note 5 - Deposits and Investments

The City is a charter City and has adopted an investment policy through City Ordinance. The City has elected to follow the provision of State statute. State statutes classify monies held by the City into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the City treasury. Active 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 that Council 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 deposits are deposits of interim monies. 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.

Interim monies held by the City can be deposited or invested in the following securities:

1. Government Securities, including: Negotiable direct obligations of the United States or obligations issued by Federal agencies the principal of and interest on which are unconditionally guaranteed by the United States, and bonds, notes, debentures, or other obligations or securities issued by any federal government agency, whether or not they are guaranteed by the United States, included but not limited to Treasury Bills and Treasury Notes;
2. Non-Negotiable interest bearing time certificates of deposits and savings accounts in banks organized under the laws of this State, national banks organized under the laws of the United States doing business and situated in this State, savings and loan associations under State supervision, or savings and loan associations located in this State and organized under Federal law and under federal supervision;
3. Negotiable interest bearing time certificates of deposit issued by institutions which are ranked nationally as being in the top one hundred in asset and deposit size within their industry;
4. Bankers' Acceptances which are eligible for purchase by the Federal Reserve System and which are issued by institutions which are ranked nationally as being in the top fifty in asset and deposit size within their industry;
5. Repurchase agreements of a bank organized under the laws of the United States or the State of Ohio thereof that are fully secured by obligations of the United States.

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 two 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.

City of Eastlake, Ohio
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Investments may only be made through specified dealers and institutions located within the State of Ohio. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,244,181 of the City's bank balance of \$5,636,371 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred ten percent of the deposits being secured.

Investments

At December 31, 2014, the City had \$146,256 invested in STAR Ohio with an average maturity of 50.1 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAM by Standard & Poor's. The money market fund carries a rating of AAAM by Standard & Poor's. The City has no policy that addresses credit risk.

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 6 - Receivables

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property and permissive motor vehicle taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts (billings for utility service).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$142,788 in the sanitary sewer enterprise fund. At December 31, 2014, the amount of delinquent special assessments was \$85,815.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of the 2013 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.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by July 18. Under certain circumstances, State statute permits later payment dates to be established.

Public utility 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 which 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 \$8.30 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2014 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$279,795,680
Other Real Estate	98,402,620
Public Utility Personal Property	27,460,630
Total Assessed Values	\$405,658,930

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. The City allows a credit of two percent for income tax paid to another municipality up to the total amount owed to the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. All income tax received is recorded in the general fund.

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Local Government	\$508,852
Medicare Payments - Ambulance	351,701
Gasoline Tax	338,783
Homestead and Rollback	140,496
Auto Registration	<u>65,190</u>
Total	<u>\$1,405,022</u>

Note 7 - Interfund Transfers

During 2014, the general fund transferred \$853,000 to the general bond retirement debt service fund as debt payments came due and \$14,400 to other governmental funds to provide additional resources for current operations. Other governmental funds made transfers in the amount of \$385,000 to the general bond retirement debt service fund as debt payments came due. The sanitary sewer fund transferred \$2,187 to the road improvements capital projects fund for debt payments.

Note 8 - Contingencies

Litigation

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

As to the *Ohio Department of Transportation vs. Eastlake Development Company* court case, the matter was settled. However, there was no agreed payment plan. Instead, the parties agreed to further negotiate any payment terms and ODOT agreed that there would be no execution against the City on the judgment unless a number of conditions which evidence a significant improvement in the City's financial health occur. The City has not met those conditions and likely will not in the foreseeable future.

As to *Richard Fatur v. City of Eastlake, et al.*, Lake County Court of Common Pleas, Case No. 05 CV001922, the lawsuit remains in its infancy. A great number of the original claims and the number of years at issue has previously been reduced on the defendants' motion to dismiss. A motion to reconsider the refusal to accept jurisdiction by the Ohio Supreme Court is pending. The City has presented, and still has available, numerous arguments of law and fact.

Grants

For the period January 1, 2014 to December 31, 2014, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

Note 9 - Capital Assets

A summary of changes in capital assets during 2014 follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$7,044,735	\$0	\$0	\$7,044,735
Construction in Progress	217,570	170,086	0	387,656
<i>Total Nondepreciable Capital Assets</i>	<u>7,262,305</u>	<u>170,086</u>	<u>0</u>	<u>7,432,391</u>
<i>Depreciable Capital Assets</i>				
Land Improvements	17,962,115	14,970	0	17,977,085
Buildings and Improvements	8,986,025	127,992	0	9,114,017
Machinery and Equipment	3,721,860	95,498	0	3,817,358
Vehicles	4,911,020	102,688	(21,515)	4,992,193
Infrastructure	24,654,088	513,834	0	25,167,922
<i>Total Depreciable Capital Assets</i>	<u>60,235,108</u>	<u>854,982</u>	<u>(21,515)</u>	<u>61,068,575</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(4,381,446)	(365,094)	0	(4,746,540)
Buildings and Improvements	(5,077,902)	(173,664)	0	(5,251,566)
Machinery and Equipment	(2,406,723)	(184,867)	0	(2,591,590)
Vehicles	(2,912,531)	(213,841)	17,135	(3,109,237)
Infrastructure	(16,556,818)	(1,033,767)	0	(17,590,585)
<i>Total Accumulated Depreciation</i>	<u>(31,335,420)</u>	<u>(1,971,233)</u>	<u>17,135</u>	<u>(33,289,518)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>28,899,688</u>	<u>(1,116,251)</u>	<u>(4,380)</u>	<u>27,779,057</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$36,161,993</u>	<u>(\$946,165)</u>	<u>(\$4,380)</u>	<u>\$35,211,448</u>

During 2014, the City received street improvements from developers valued at \$170,086.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Business-Type Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$75,556	\$0	\$0	\$75,556
<i>Depreciable Capital Assets</i>				
Buildings and Improvements	2,862,787	0	0	2,862,787
Machinery and Equipment	641,505	24,233	0	665,738
Vehicles	502,020	0	0	502,020
Infrastructure				
Sewers	9,553,137	19,600	0	9,572,737
<i>Total Depreciable Capital Assets</i>	<u>13,559,449</u>	<u>43,833</u>	<u>0</u>	<u>13,603,282</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(948,600)	(60,887)	0	(1,009,487)
Machinery and Equipment	(137,443)	(32,714)	0	(170,157)
Vehicles	(414,467)	(18,261)	0	(432,728)
Infrastructure				
Sewers	(7,553,903)	(57,424)	0	(7,611,327)
<i>Total Accumulated Depreciation</i>	<u>(9,054,413)</u>	<u>(169,286)</u>	<u>0</u>	<u>(9,223,699)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>4,505,036</u>	<u>(125,453)</u>	<u>0</u>	<u>4,379,583</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$4,580,592</u>	<u>(\$125,453)</u>	<u>\$0</u>	<u>\$4,455,139</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$27,889
Security of Persons and Property	237,900
Transportation	527,522
Community Environment	1,086
Basic Utility Services	1,033,767
Leisure Time Activities	143,069
Total	<u>\$1,971,233</u>

Note 10 - Assets Held for Resale

Assets held for resale represents homes purchased and repaired to be resold under the Community Development in-fill housing project. As of December 31, 2014, the City has two homes which are being held for resale.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 11 - 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.

During 2014, the City participated in NORMA, an insurance pool for the following types of insurance:

Type	Coverage
Property	\$430,940,698
Inland Marine	8,000,000
General Liability	1,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Public Officials Liability	1,000,000
Employment Practices Liability	1,000,000
Umbrella	15,000,000

Claims have not exceeded this coverage in any of the past three years and there have been no significant reductions in overall commercial coverage in any of the past three years.

The City participates in the State Workers' Compensation retrospective rating and payment system. CareWorks Consultants serves as the City's third party administrator. Once the City receives notice of the 2014 claims paid by the Bureau of Workers' Compensation, CareWorks Consultants will reimburse the State for claims paid on the City's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2014. The minimum premium portion of intergovernmental payable is \$155,241 and the actual claim costs are \$149,232. The maintenance of these benefits is accounted for in the general fund. Claims of \$42,875 have been accrued as a liability at December 31, 2014 based on an estimate provided by CareWorks Consultants. Changes in the claims liability amount in 2013 and 2014 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$85,520	\$120,649	\$97,337	\$108,832
2014	108,832	83,275	149,232	42,875

Note 12 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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 the member and vested employer contributions plus any investment earnings. The combined

City of Eastlake, Ohio
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For the Year Ended December 31, 2014

plan is 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 plan benefit. Member contributions, the investment of which is self-directed by the member, 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 and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$306,205, \$338,661, and \$194,692, respectively. For 2014, 91.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$8,820 made by the City and \$6,300 made by plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. 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 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

City of Eastlake, Ohio
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The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$321,252 and \$439,001 for the year ended December 31, 2014, \$280,255 and \$332,578 for the year ended December 31, 2013, and \$236,139 and \$291,558 for the year ended December 31, 2012. For 2014, 91.54 percent for police and 92.59 percent for firefighters has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 13 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution

City of Eastlake, Ohio
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For the Year Ended December 31, 2014

allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$51,034, \$26,047, and \$126,995, respectively. For 2014, 91.67 percent has been contributed with the balance being reported as an intergovernmental payable. 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 9, 2012, with a transition plan commencing on 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 percent of the employer contribution toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

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

OPF provides access to postretirement 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 OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution 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 OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$8,454 and \$9,340 for the year ended December 31, 2014, \$47,972 and \$44,816 for the year ended December 31, 2013, and \$115,923 and \$107,836 for the year ended December 31, 2012. For 2014, 91.54 percent has been contributed for police and 92.59 percent for firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 14 - Long-term Obligations

The original issuance amounts for the City's long-term obligations are as follows:

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Governmental Activities			
<i>General Obligation Bonds:</i>			
Various Purpose Bonds - 2004	2.5-5%	\$60,000	2031
Capital Facilities Bonds - 2014	1.89%	300,000	2019
Capital Facilities Refunding Bonds - 2013	5.125-5.75%	4,025,000	2031
City Hall Construction Refunding Bonds - 2005	3.6-6%	2,790,000	2017
Tax Exempt Various Purpose Refunding Bonds - 2011	2-4%	9,995,000	2027
<i>OPWC Loans:</i>			
North Parkway Road and Sewer	0%	50,000	2019
East 377th Street Road Improvement	0%	103,600	2014
Parkland Drive Road and Sewer	0%	24,907	2021
Stevens Boulevard Road and Sewer	0%	49,138	2021
East Overlook Road, Storm and Sanitary Sewer	0%	26,254	2023
Roberts Road Improvements	0%	150,000	2025
Plymouth Road and Sewer	0%	58,200	2025
Roberts Road Improvements - Phase 2	0%	96,508	2031
Edison and Mondamin Storm Sewer	0%	37,646	2032
<i>Business-Type Activities</i>			
<i>OPWC Loan:</i>			
Robin/Forest/King Drive Pump Stations	0%	50,000	2030
Quentin Road Pump Station	0%	100,292	2032

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

	Balance 12/31/2013	Increase	Decrease	Balance 12/31/2014	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
Various Purpose Bonds - Term	\$60,000	\$0	\$0	\$60,000	\$0
Capital Facilities Bonds - Serial	0	300,000	0	300,000	60,000
Capital Facilities Refunding Bonds					
Serial	1,840,000	0	55,000	1,785,000	185,000
Term	2,075,000	0	0	2,075,000	0
Discount	(23,605)	0	(332)	(23,273)	0
Total Capital Facilities Refunding Bonds	3,891,395	0	54,668	3,836,727	185,000
City Hall Construction Refunding Bonds - Serial	1,045,000	0	240,000	805,000	260,000
Tax Exempt Various Purpose Refunding Bonds					
Serial	7,655,000	0	570,000	7,085,000	580,000
Term	1,375,000	0	0	1,375,000	0
Total Various Purpose Bonds	9,030,000	0	570,000	8,460,000	580,000
<i>Total General Obligation Bonds</i>	14,026,395	300,000	864,668	13,461,727	1,085,000
OPWC Loans					
North Parkway Road and Sewer	13,750	0	2,500	11,250	2,500
East 377th Street Road Improvement	6,907	0	6,907	0	0
Parkland Drive Road and Sewer	9,341	0	1,246	8,095	1,246
Stevens Boulevard Road and Sewer	18,427	0	2,457	15,970	2,457
East Overlook Road, Storm and Sanitary Sewer	13,127	0	1,313	11,814	1,313
Roberts Road Improvements	86,250	0	7,500	78,750	7,500
Plymouth Road and Sewer	36,375	0	2,910	33,465	2,910
Roberts Road Improvements-Phase 2	86,857	0	4,826	82,031	4,826
Edison and Mondamin Storm Sewer	34,823	0	1,882	32,941	1,882
<i>Total OPWC Loans</i>	305,857	0	31,541	274,316	24,634
Other Long-Term Obligations					
ODOT Payable	65,903	0	32,951	32,952	32,952
Capital Leases Payable	3,455	0	3,455	0	0
Compensated Absences Payable	1,185,898	119,216	304,079	1,001,035	210,210
Workers' Compensation Liability	108,832	19,563	85,520	42,875	42,875
<i>Total Other Long-Term Obligations</i>	1,364,088	138,779	426,005	1,076,862	286,037
Total Governmental Activities	\$15,696,340	\$438,779	\$1,322,214	\$14,812,905	\$1,395,671

City of Eastlake, Ohio
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For the Year Ended December 31, 2014

	Balance 12/31/2013	Increase	Decrease	Balance 12/31/2014	Amounts Due in One Year
Business-Type Activities					
OPWC Loan					
Robin/Forest/King Drive Pump Stations	\$41,250	\$0	\$2,500	\$38,750	\$2,500
Quentin Road Pump Station	95,277	0	5,015	90,262	5,015
<i>Total OPWC Loans</i>	<u>136,527</u>	<u>0</u>	<u>7,515</u>	<u>129,012</u>	<u>7,515</u>
Other Long-Term Obligations					
Capital Leases Payable	121,361	0	59,905	61,456	61,456
Compensated Absences Payable	52,816	4,941	22,133	35,624	14,122
<i>Total Other Long-Term Obligations</i>	<u>174,177</u>	<u>4,941</u>	<u>82,038</u>	<u>97,080</u>	<u>75,578</u>
Total Business-Type Activities	<u>\$310,704</u>	<u>\$4,941</u>	<u>\$89,553</u>	<u>\$226,092</u>	<u>\$83,093</u>

General obligation bonds General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both voted and unvoted general property taxes levied on all taxable property located within the City as well as municipal income taxes. Tax monies will be received in and the debt will be retired from the general obligation bond retirement debt service and road improvement capital projects funds.

2005 Refunded Bonds On April 1, 2005, the City issued \$2,790,000 in general obligation refunding bonds with interest rates varying from 3.6 percent to 6 percent. Proceeds were used to refund \$2,665,000 of the 1993 general obligation bonds for city hall building improvements.

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1993 general obligation bonds. As a result \$2,790,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2014 is \$1,055,000.

On December 15, 2011, the City issued \$9,995,000 in general obligation refunding bonds, to partially refund bonds previously issued in fiscal year 2002 and 2004 for construction of the stadium. The bonds were issued with interest rates varying from 2 percent to 4 percent. The bonds were issued for a 16 year period with final maturity during fiscal year 2027. The bonds will be retired through the general obligation bond retirement debt service fund.

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2002 and 2004 tax exempt bonds. As a result, \$9,340,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2014 is \$9,195,000.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2022 in the amount of \$675,000. The remaining principal amount of \$700,000 of the term bonds will mature at the stated maturity.

Early Extinguished Bonds On September 18, 2009, the City early extinguished \$7,230,000 of its 2002 Taxable Capital Facilities Bonds. The early extinguishment was deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 2002 Taxable Capital Facilities Bonds. As a result the entire amount of extinguished bonds were considered defeased and the liability for the extinguished bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2014 is \$5,915,000.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

2013 Refunded Bonds In 2013, the City issued general obligation bonds, in the amount of \$4,025,000, to refund bonds previously issued in 2004 for capital facilities in the full amount. The remaining \$4,025,000 will be used to pay the remaining interest and fiscal charges of the unrefunded bonds. The bonds were issued with interest rates varying from 5.125 percent to 5.750 percent. The bonds were issued for a 18 year period with final maturity during fiscal year 2031. The bonds will be retired through the general bond retirement debt service fund.

The term bonds maturing on August 1, 2025, 2028 and 2031 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on August 1 in the years and in the respective principal amounts as follows:

Year	2013 Capital Facilities Refunding Term Bonds		
	\$465,000	\$755,000	\$855,000
2024	\$230,000	\$0	\$0
2025	0	0	0
2026	0	240,000	0
2027	0	250,000	0
2028	0	0	0
2029	0	0	275,000
2030	0	0	285,000
Total	\$230,000	\$490,000	\$560,000
<i>Stated Maturity</i>	<i>8/1/2025</i>	<i>8/1/2028</i>	<i>8/1/2031</i>

The remaining principal amount of the term bonds (\$235,000 \$265,000 and \$295,000) will mature at the stated maturity.

2014 Capital Facilities Bonds In 2014, the City issued \$300,000 in capital facilities bonds to finance the construction of a salt storage facility. The interest rate on this bond issue is 1.89 percent and matures in 2019. The bonds will be paid from the general obligation bond retirement fund.

OPWC Loans OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements and for sanitary sewer improvements. The loans are interest free. OPWC loans will be paid from the road improvement capital projects fund.

ODOT Payable ODOT payable consists of money owed to the Ohio Department of Transportation for work done on the access modification to the baseball stadium and parking lot. The payable will be paid from the road improvement capital projects fund.

Capital Leases Capital lease obligations will be paid from the fund that maintains custody of the related assets. Capital leases will be paid from the general fund and sewer enterprise fund.

Compensated Absences The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the general fund; the street construction, maintenance, and repair; the federal grants; and Taft center donation special revenue funds; the road improvement capital projects fund; and the sanitary sewer enterprise fund.

The City's overall legal debt margin was \$28,748,108 with an unvoted debt margin of \$8,465,161 at December 31, 2014.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2014, were as follows:

Governmental Activities				
General Obligation Bonds				
Year	Serial		Term	
	Principal	Interest	Principal	Interest
2015	\$1,085,000	\$407,209	\$0	\$3,000
2016	1,105,000	380,331	0	3,000
2017	1,130,000	352,467	0	3,000
2018	860,000	323,633	0	3,000
2019	885,000	306,309	0	3,000
2020-2024	2,850,000	825,553	1,605,000	352,946
2025-2029	2,060,000	138,132	1,325,000	294,356
2030-2031	0	0	580,000	38,281
Total	\$9,975,000	\$2,733,634	\$3,510,000	\$700,583

Year	OPWC Loans	ODOT Payable
	Principal	Principal
2015	\$24,634	\$32,952
2016	24,633	0
2017	24,633	0
2018	24,633	0
2019	23,383	0
2020-2024	89,111	0
2025-2029	48,925	0
2030-2034	14,364	0
Total	\$274,316	\$32,952

Business-Type Activities	
Year	OPWC Loans
	Principal
2015	\$7,515
2016	7,515
2017	7,515
2018	7,515
2019	7,515
2020-2024	37,575
2025-2029	37,575
2030-2034	16,287
Total	\$129,012

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 15 - Capital Leases

The City has entered into capitalized leases for copiers and a sewer cleaner. The leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds.

	Governmental Activities	Business-Type Activities
Copiers	\$62,301	\$0
Sewer Cleaner	0	299,720
Less: Accumulated Depreciation	(62,301)	(59,944)
Total	\$0	\$239,776

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2014.

	Business-Type Activities
2015	\$63,048
Less: Amount representing interest	(1,592)
Present Value of Mimimum Lease Payments	\$61,456

Capital lease payments have been reclassified and reflected as debt service in the fund financial statement for the general fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 16 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation at different rates which are affected by length of service. At the time of separation the employee is entitled to payment for any earned but unused vacation. Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation, with a maximum accumulation at rates negotiated in the various union contracts or set by council. After 10 years of service with the city, upon retirement, employees are paid a percentage of all the sick days they have accumulated.

Note 17 - Jointly Governed Organization

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 jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 134 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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. In 2014, the City made no contributions. 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. Financial information can be obtained by contacting Joseph Migliorini, the Board Chairman, at 31360 Solon Road, Suite 33, Solon, Ohio, 44139 or at the website www.nopecinfo.org.

Note 18 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2014, the City of Eastlake paid \$124,359 in premiums from the general fund and special revenue funds, which represents 8.59 percent of the total premiums paid by all members. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of South Euclid, 1349 South Green Road, South Euclid, Ohio 44121.

Note 19 - Related Organization

The Eastlake Port Authority was created under the Ohio Revised Code and conducts port development and operations. The Authority is governed by a seven member Board of Directors which consists of five members appointed by the Mayor and two appointed by City Council. The City's accountability does not extend beyond appointing board members.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 20 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds		Proprietary Funds	
General	\$359,218	Sanitary Sewer	<u>\$171,726</u>
Road Improvements	43,946		
Other Governmental Funds	<u>68,525</u>		
Total Governmental Funds	<u>\$471,689</u>		

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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Auditor of State
Dave Yost
Office of the Auditor of State of Ohio
88 E. Broad Street
Columbus, Ohio 43215
(800) 282-0370

www.ohioauditor.gov · www.skinnyohio.org