



Dave Yost • Auditor of State



**CITY OF EASTLAKE  
LAKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Eastlake  
Lake County  
35150 Lakeshore Boulevard  
Eastlake, Ohio 44095

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio (the City), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio, as of December 31, 2013 and 2012 and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 26, 2014

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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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, 2013. 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 2013 are as follows:

- During 2013, the City issued \$4,025,000 in refunding bonds to refund the outstanding \$3,720,000 2004 capital facilities bonds to take advantage of lower interest rates.
- The City continues to focus on the maintenance and repair of sidewalks and streets. Concrete repairs were completed on East 337<sup>th</sup> Street, Stevens Boulevard and Curtis Boulevard. The City also completed storm sewer repairs to East 361<sup>st</sup> Street and Lakeland Boulevard.

### **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 2013?" 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.

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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.

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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 2013 compared to 2012.

|                                       | <b>Table 1</b>          |                     |                          |                    |                     |                     |
|---------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
|                                       | <i>Net Position</i>     |                     |                          |                    |                     |                     |
|                                       | Governmental Activities |                     | Business-Type Activities |                    | Total               |                     |
|                                       | 2013                    | 2012                | 2013                     | 2012               | 2013                | 2012                |
| <b>Assets</b>                         |                         |                     |                          |                    |                     |                     |
| Current and Other Assets              | \$9,503,364             | \$10,240,968        | \$3,550,043              | \$2,736,319        | \$13,053,407        | \$12,977,287        |
| Capital Assets, Net                   | 36,161,993              | 36,479,730          | 4,580,592                | 4,749,425          | 40,742,585          | 41,229,155          |
| <b>Total Assets</b>                   | <b>45,665,357</b>       | <b>46,720,698</b>   | <b>8,130,635</b>         | <b>7,485,744</b>   | <b>53,795,992</b>   | <b>54,206,442</b>   |
| <b>Deferred Outflows of Resources</b> | <b>556,508</b>          | <b>331,646</b>      | <b>0</b>                 | <b>0</b>           | <b>556,508</b>      | <b>331,646</b>      |
| <b>Liabilities</b>                    |                         |                     |                          |                    |                     |                     |
| Current Liabilities                   | 791,778                 | 1,105,955           | 46,007                   | 40,550             | 837,785             | 1,146,505           |
| Long-Term Liabilities                 |                         |                     |                          |                    |                     |                     |
| Due Within One Year                   | 1,268,378               | 1,268,408           | 82,915                   | 81,000             | 1,351,293           | 1,349,408           |
| Due in More Than One Year             | 14,427,962              | 15,180,893          | 227,789                  | 295,824            | 14,655,751          | 15,476,717          |
| <b>Total Liabilities</b>              | <b>16,488,118</b>       | <b>17,555,256</b>   | <b>356,711</b>           | <b>417,374</b>     | <b>16,844,829</b>   | <b>17,972,630</b>   |
| <b>Deferred Inflows of Resources</b>  | <b>2,199,022</b>        | <b>2,479,603</b>    | <b>0</b>                 | <b>0</b>           | <b>2,199,022</b>    | <b>2,479,603</b>    |
| <b>Net Position</b>                   |                         |                     |                          |                    |                     |                     |
| Net Investment in Capital Assets      | 22,400,702              | 21,838,866          | 4,322,704                | 4,426,879          | 26,723,406          | 26,265,745          |
| Restricted for:                       |                         |                     |                          |                    |                     |                     |
| Capital Projects                      | 1,212,894               | 2,001,020           |                          | 0                  | 1,212,894           | 2,001,020           |
| Other Purposes                        | 1,383,058               | 1,460,686           |                          | 0                  | 1,383,058           | 1,460,686           |
| Unrestricted                          | 2,538,071               | 1,716,913           | 3,451,220                | 2,641,491          | 5,989,291           | 4,358,404           |
| <b>Total Net Position</b>             | <b>\$27,534,725</b>     | <b>\$27,017,485</b> | <b>\$7,773,924</b>       | <b>\$7,068,370</b> | <b>\$35,308,649</b> | <b>\$34,085,855</b> |

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*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
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Total net position for governmental activities showed an increase over 2012. This was largely due to the City paying down their long-term debt obligations. In 2013, the City refunded a portion of their long-term debt in order to take advantage of lower interest rates. In doing so, the City was able to lower their principal and interest payments. Cash and cash equivalents offset the increase, due to increases in expenditures.

Total net position for business-type activities saw a significant increase that can be primarily attributed to expenses increasing at a smaller pace than what the revenues decreased.

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               |                     |
|------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
|                                    | 2013                    | 2012                | 2013                     | 2012               | 2013                | 2012                |
| <b>Revenues</b>                    |                         |                     |                          |                    |                     |                     |
| Program Revenues                   |                         |                     |                          |                    |                     |                     |
| Charges for Services               | \$1,997,810             | \$1,892,216         | \$2,679,712              | \$2,835,263        | \$4,677,522         | \$4,727,479         |
| Operating Grants and Contributions | 1,042,913               | 1,225,490           | 0                        | 0                  | 1,042,913           | 1,225,490           |
| Capital Grants and Interest        | 296,462                 | 723,244             | 0                        | 0                  | 296,462             | 723,244             |
| <b>Total Program Revenues</b>      | <b>3,337,185</b>        | <b>3,840,950</b>    | <b>2,679,712</b>         | <b>2,835,263</b>   | <b>6,016,897</b>    | <b>6,676,213</b>    |
| General Revenues                   |                         |                     |                          |                    |                     |                     |
| Property Taxes                     | 2,644,455               | 2,427,761           | 0                        | 0                  | 2,644,455           | 2,427,761           |
| Income Taxes                       | 7,099,154               | 6,676,922           | 0                        | 0                  | 7,099,154           | 6,676,922           |
| Hotel Taxes                        | 12,722                  | 60,428              | 0                        | 0                  | 12,722              | 60,428              |
| Permissive MVL Taxes               | 138,130                 | 137,765             | 0                        | 0                  | 138,130             | 137,765             |
| Grants and Entitlements            | 1,270,467               | 1,420,618           | 0                        | 0                  | 1,270,467           | 1,420,618           |
| Franchise Taxes                    | 372,764                 | 285,961             | 0                        | 0                  | 372,764             | 285,961             |
| Investment Earnings                | 9,901                   | 3,553               | 0                        | 0                  | 9,901               | 3,553               |
| Unrestricted Contributions         | 21,409                  | 20,553              | 0                        | 0                  | 21,409              | 20,553              |
| Other                              | 48,372                  | 39,704              | 0                        | 0                  | 48,372              | 39,704              |
| <b>Total General Revenues</b>      | <b>11,617,374</b>       | <b>11,073,265</b>   | <b>0</b>                 | <b>0</b>           | <b>11,617,374</b>   | <b>11,073,265</b>   |
| <b>Total Revenues</b>              | <b>\$14,954,559</b>     | <b>\$14,914,215</b> | <b>\$2,679,712</b>       | <b>\$2,835,263</b> | <b>\$17,634,271</b> | <b>\$17,749,478</b> |

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
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*Change in Net Position (continued)*

|                                  | Governmental Activities |              | Business-Type Activities |             | Total         |               |
|----------------------------------|-------------------------|--------------|--------------------------|-------------|---------------|---------------|
|                                  | 2013                    | 2012         | 2013                     | 2012        | 2013          | 2012          |
| <b>Program Expenses</b>          |                         |              |                          |             |               |               |
| General Government               | \$4,054,108             | \$3,700,502  | \$0                      | \$0         | (\$4,054,108) | (\$3,700,502) |
| Security of Persons and Property | 5,760,470               | 5,445,966    | 0                        | 0           | (5,760,470)   | (5,445,966)   |
| Public Health Services           | 160,355                 | 168,937      | 0                        | 0           | (160,355)     | (168,937)     |
| Transportation                   | 1,346,529               | 1,692,219    | 0                        | 0           | (1,346,529)   | (1,692,219)   |
| Community Environment            | 278,160                 | 229,724      | 0                        | 0           | (278,160)     | (229,724)     |
| Basic Utility Services           | 659,268                 | 827,038      | 0                        | 0           | (659,268)     | (827,038)     |
| Leisure Time Activities          | 1,781,759               | 1,636,116    | 0                        | 0           | (1,781,759)   | (1,636,116)   |
| Interest and Fiscal Charges      | 397,292                 | 550,807      | 0                        | 0           | (397,292)     | (550,807)     |
| Sanitary Sewer                   | 0                       | 0            | 1,931,524                | 1,865,679   | (1,931,524)   | (1,865,679)   |
| Storm Water                      | 0                       | 0            | 42,012                   | 6,202       | (42,012)      | (6,202)       |
| Total Program Expenses           | 14,437,941              | 14,251,309   | 1,973,536                | 1,871,881   | (16,411,477)  | (16,123,190)  |
| Increase in Net Position         | 517,240                 | 662,906      | 705,554                  | 963,382     | 1,222,794     | 1,626,288     |
| Net Position Beginning of Year   | 27,017,485              | 26,354,579   | 7,068,370                | 6,104,988   | 34,085,855    | 32,459,567    |
| Net Position End of Year         | \$27,534,725            | \$27,017,485 | \$7,773,924              | \$7,068,370 | \$35,308,649  | \$34,085,855  |

***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 2013, property taxes increased from the previous years. Municipal income taxes saw an increase from 2012 as a direct result of a slight turnaround in the overall economy. Grants and entitlements decreased as a result of less local government revenue received from the State.

Program expenses increased slightly over 2012 levels. General government expenses increased due to increases in hospitalization and fuel costs. Security of persons and property costs increased primarily as a result of increase pension costs for the fire department. Transportation expenses decreased due to less costs for street projects in 2013. 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.

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**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

|                                  | 2013                     |                        | 2012                     |                        |
|----------------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                                  | Total Cost<br>of Service | Net Cost<br>of Service | Total Cost<br>of Service | Net Cost<br>of Service |
| General Government               | \$4,054,108              | (\$3,474,720)          | \$3,700,502              | (\$3,254,801)          |
| Security of Persons and Property | 5,760,470                | (4,961,886)            | 5,445,966                | (4,558,115)            |
| Public Health Services           | 160,355                  | (137,156)              | 168,937                  | (148,537)              |
| Transportation                   | 1,346,529                | (192,526)              | 1,692,219                | (410,546)              |
| Community Environment            | 278,160                  | (235,933)              | 229,724                  | (197,995)              |
| Basic Utility Services           | 659,268                  | (179,279)              | 827,038                  | (836,662)              |
| Leisure Time Activities          | 1,781,759                | (1,521,964)            | 1,636,116                | (569,767)              |
| Interest and Fiscal Charges      | 397,292                  | (397,292)              | 550,807                  | (550,807)              |
| <b>Total</b>                     | <b>\$14,437,941</b>      | <b>(\$11,100,756)</b>  | <b>\$14,251,309</b>      | <b>(\$10,527,230)</b>  |

***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 2013 decreased due to a decrease in collections. The increase in expenses was the result of an increase in costs for storm sewer maintenance as well as increases in amounts owed to vendors.

***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 on page 14 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 revenues exceeded expenditures for the year after transfers out are included, as the result of expenditures decreasing from the previous year at a larger rate compared to the decrease in revenues. 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 2013, 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

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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 2013 balances of capital assets as compared to 2012.

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

|                            | Governmental<br>Activities |                     | Business-Type<br>Activities |                    | Total               |                     |
|----------------------------|----------------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|
|                            | 2013                       | 2012                | 2013                        | 2012               | 2013                | 2012                |
| Land                       | \$7,044,736                | \$7,044,735         | \$75,556                    | \$75,556           | \$7,120,292         | \$7,120,291         |
| Construction in Progress   | 217,570                    | 0                   | 0                           | 0                  | 217,570             | 0                   |
| Land Improvements          | 13,580,669                 | 13,928,553          | 0                           | 0                  | 13,580,669          | 13,928,553          |
| Buildings and Improvements | 3,908,123                  | 3,860,397           | 1,914,187                   | 1,975,334          | 5,822,310           | 5,835,731           |
| Machinery and Equipment    | 1,315,137                  | 1,164,847           | 504,062                     | 536,189            | 1,819,199           | 1,701,036           |
| Vehicles                   | 1,998,489                  | 2,020,823           | 87,553                      | 106,015            | 2,086,042           | 2,126,838           |
| Infrastructure             | 8,097,269                  | 8,460,375           | 1,999,234                   | 2,056,331          | 10,096,503          | 10,516,706          |
| Total Capital Assets       | <u>\$36,161,993</u>        | <u>\$36,479,730</u> | <u>\$4,580,592</u>          | <u>\$4,749,425</u> | <u>\$40,742,585</u> | <u>\$41,229,155</u> |

For 2013, the primary additions for governmental activities included the completion of rehabilitation improvements to East 337<sup>th</sup> and East 361<sup>th</sup> Street. The City also purchased six police vehicles, a dump truck for snow and ice removal and a new radio system for the fire department. The City disposed of a number of police vehicles during 2013.

There were no additions or disposals for the business-type activities in 2013. Additional information concerning the City's capital assets can be found in Note 10 to the basic financial statements.

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

**Debt**

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2013.

**Table 5**  
 Outstanding Long-Term Obligations at Year End

|                                 | Governmental<br>Activities |                     | Business-Type<br>Activity |                  | Total               |                     |
|---------------------------------|----------------------------|---------------------|---------------------------|------------------|---------------------|---------------------|
|                                 | 2013                       | 2012                | 2013                      | 2012             | 2013                | 2012                |
| General Obligation Bonds        | \$14,026,395               | \$14,645,000        |                           | \$0              | \$14,026,395        | \$14,645,000        |
| OPWC Loans                      | 305,857                    | 324,037             | 136,527                   | 142,792          | 442,384             | 466,829             |
| ODOT Payable                    | 65,903                     | 98,854              |                           | 0                | 65,903              | 98,854              |
| Capital Leases                  | 3,455                      | 16,959              | 121,361                   | 179,754          | 124,816             | 196,713             |
| Compensated Absences            | 1,185,898                  | 1,278,931           | 52,816                    | 54,278           | 1,238,714           | 1,333,209           |
| Workers' Compensation Liability | 108,832                    | 85,520              |                           | 0                | 108,832             | 85,520              |
| <b>Total</b>                    | <b>\$15,696,340</b>        | <b>\$16,449,301</b> | <b>\$310,704</b>          | <b>\$376,824</b> | <b>\$16,007,044</b> | <b>\$16,826,125</b> |

At December 31, 2013, the general obligation bonds outstanding consist of the 2004 Various Purpose Bonds, the 2005 City Hall Refunding Bonds, 2011 Various Purpose Refunding Bonds and 2013 Capital Facilities Refunding Bonds. During 2013, the City was able to refund the 2004 Capital Facilities Bonds as well as make annual principal payments on the Capital Facilities Bonds and the Various Purpose Refunding Bonds. 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 15 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, 2013

|  | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|--|----------------------------|-----------------------------|---------------------|
| <b>Assets</b>                              |                            |                             |                     |
| Equity in Pooled Cash and Cash Equivalents | \$2,951,341                | \$2,425,044                 | \$5,376,385         |
| Accounts Receivable                        | 155,140                    | 945,293                     | 1,100,433           |
| Accrued Interest Receivable                | 0                          | 2,088                       | 2,088               |
| Intergovernmental Receivable               | 1,437,189                  | 0                           | 1,437,189           |
| Municipal Income Taxes Receivable          | 2,187,622                  | 0                           | 2,187,622           |
| Permissive Motor Vehicle Taxes Receivable  | 11,006                     | 0                           | 11,006              |
| Prepaid Items                              | 87,363                     | 0                           | 87,363              |
| Materials and Supplies Inventory           | 68,990                     | 11,376                      | 80,366              |
| Property Taxes Receivable                  | 2,487,743                  | 0                           | 2,487,743           |
| Special Assessments Receivable             | 0                          | 166,242                     | 166,242             |
| Assets Held for Resale                     | 116,970                    | 0                           | 116,970             |
| Nondepreciable Capital Assets              | 7,262,305                  | 75,556                      | 7,337,861           |
| Depreciable Capital Assets, Net            | 28,899,688                 | 4,505,036                   | 33,404,724          |
| <i>Total Assets</i>                        | <u>45,665,357</u>          | <u>8,130,635</u>            | <u>53,795,992</u>   |
| <b>Deferred Outflows of Resources</b>      |                            |                             |                     |
| Deferred Amount on Refunding               | 556,508                    | 0                           | 556,508             |
| <b>Liabilities</b>                         |                            |                             |                     |
| Accounts Payable                           | 110,677                    | 14,323                      | 125,000             |
| Accrued Wages                              | 282,196                    | 14,934                      | 297,130             |
| Matured Compensated Absences Payable       | 80,831                     | 0                           | 80,831              |
| Intergovernmental Payable                  | 219,121                    | 16,750                      | 235,871             |
| Accrued Interest Payable                   | 98,953                     | 0                           | 98,953              |
| Long-Term Liabilities:                     |                            |                             |                     |
| Due Within One Year                        | 1,268,378                  | 82,915                      | 1,351,293           |
| Due In More Than One Year                  | 14,427,962                 | 227,789                     | 14,655,751          |
| <i>Total Liabilities</i>                   | <u>16,488,118</u>          | <u>356,711</u>              | <u>16,844,829</u>   |
| <b>Deferred Inflows of Resources</b>       |                            |                             |                     |
| Property Taxes                             | 2,199,022                  | 0                           | 2,199,022           |
| <b>Net Position</b>                        |                            |                             |                     |
| Net Investment in Capital Assets           | 22,400,702                 | 4,322,704                   | 26,723,406          |
| Restricted for:                            |                            |                             |                     |
| Capital Projects                           | 1,212,894                  | 0                           | 1,212,894           |
| State Highway                              | 69,936                     | 0                           | 69,936              |
| Street Maintenance                         | 672,686                    | 0                           | 672,686             |
| Permissive Motor Vehicle Tax               | 142,797                    | 0                           | 142,797             |
| Public Safety Grants                       | 124,705                    | 0                           | 124,705             |
| Recreation and Land Acquisition            | 203,173                    | 0                           | 203,173             |
| Other Purposes                             | 169,761                    | 0                           | 169,761             |
| Unrestricted                               | 2,538,071                  | 3,451,220                   | 5,989,291           |
| <i>Total Net Position</i>                  | <u>\$27,534,725</u>        | <u>\$7,773,924</u>          | <u>\$35,308,649</u> |

See Accompanying Notes to the Basic Financial Statements

**City of Eastlake, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

|                                       | Program Revenues           |                           |  |                                   |
|---------------------------------------|----------------------------|---------------------------|--|-----------------------------------|
|                                       | Expenses                   | Charges<br>for Services   | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Interest |
| <b>Governmental Activities:</b>       |                            |                           |  |                                   |
| Current:                              |                            |                           |  |                                   |
| General Government                    | \$4,054,108                | \$579,388                 | \$0                                      | \$0                               |
| Security of Persons and Property      | 5,760,470                  | 700,737                   | 68,950                                   | 28,897                            |
| Public Health Services                | 160,355                    | 23,199                    | 0  | 0                                 |
| Transportation                        | 1,346,529                  | 21,954                    | 864,484                                  | 267,565                           |
| Community Environment                 | 278,160                    | 42,227                    | 0  | 0                                 |
| Basic Utility Services                | 659,268                    | 479,989                   | 0  | 0                                 |
| Leisure Time Activities               | 1,781,759                  | 150,316                   | 109,479                                  | 0                                 |
| Interest and Fiscal Charges           | 397,292                    | 0                         | 0  | 0                                 |
| <i>Total Governmental Activities</i>  | <u>14,437,941</u>          | <u>1,997,810</u>          | <u>1,042,913</u>                         | <u>296,462</u>                    |
| <b>Business-Type Activities:</b>      |                            |                           |  |                                   |
| Sanitary Sewer                        | 1,931,524                  | 2,636,568                 | 0  | 0                                 |
| Storm Water                           | 42,012                     | 43,144                    | 0  | 0                                 |
| <i>Total Business-Type Activities</i> | <u>1,973,536</u>           | <u>2,679,712</u>          | <u>0</u>                                 | <u>0</u>                          |
| <i>Total</i>                          | <u><u>\$16,411,477</u></u> | <u><u>\$4,677,522</u></u> | <u><u>\$1,042,913</u></u>                | <u><u>\$296,462</u></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*

Net (Expense) Revenue and Changes in Net Position

| <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>        |
|------------------------------------|-------------------------------------|---------------------|
| (\$3,474,720)                      | \$0                                 | (\$3,474,720)       |
| (4,961,886)                        | 0                                   | (4,961,886)         |
| (137,156)                          | 0                                   | (137,156)           |
| (192,526)                          | 0                                   | (192,526)           |
| (235,933)                          | 0                                   | (235,933)           |
| (179,279)                          | 0                                   | (179,279)           |
| (1,521,964)                        | 0                                   | (1,521,964)         |
| (397,292)                          | 0                                   | (397,292)           |
| <u>(11,100,756)</u>                | <u>0</u>                            | <u>(11,100,756)</u> |
| 0                                  | 705,044                             | 705,044             |
| <u>0</u>                           | <u>1,132</u>                        | <u>1,132</u>        |
| <u>0</u>                           | <u>706,176</u>                      | <u>706,176</u>      |
| <u>(11,100,756)</u>                | <u>706,176</u>                      | <u>(10,394,580)</u> |
| 1,211,264                          | 0                                   | 1,211,264           |
| 187,325                            | 0                                   | 187,325             |
| 125,042                            | 0                                   | 125,042             |
| 125,041                            | 0                                   | 125,041             |
| 159,388                            | 0                                   | 159,388             |
| 836,395                            | 0                                   | 836,395             |
| 7,099,154                          | 0                                   | 7,099,154           |
| 12,722                             | 0                                   | 12,722              |
| 138,130                            | 0                                   | 138,130             |
| 1,270,467                          | 0                                   | 1,270,467           |
| 372,764                            | 0                                   | 372,764             |
| 9,901                              | 0                                   | 9,901               |
| 21,409                             | 0                                   | 21,409              |
| 48,372                             | 0                                   | 48,372              |
| <u>11,617,374</u>                  | <u>0</u>                            | <u>11,617,374</u>   |
| <u>622</u>                         | <u>(622)</u>                        | <u>0</u>            |
| <u>11,617,996</u>                  | <u>(622)</u>                        | <u>11,617,374</u>   |
| 517,240                            | 705,554                             | 1,222,794           |
| <u>27,017,485</u>                  | <u>7,068,370</u>                    | <u>34,085,855</u>   |
| <u>\$27,534,725</u>                | <u>\$7,773,924</u>                  | <u>\$35,308,649</u> |

**City of Eastlake, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2013*

|   | General            | General Bond<br>Retirement | Road<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|----------------------------|---------------------|--------------------------------|--------------------------------|
| <b>Assets</b>   |                    |                            |                     |                                |                                |
| Equity in Pooled Cash and<br>Cash Equivalents                                 | \$847,428          | \$16,121                   | \$582,591           | \$1,492,491                    | \$2,938,631                    |
| Accounts Receivable   | 155,140            | 0                          | 0                   | 0                              | 155,140                        |
| Intergovernmental Receivable  | 959,804            | 10,030                     | 39,445              | 427,910                        | 1,437,189                      |
| Municipal Income Taxes Receivable   | 2,187,622          | 0                          | 0                   | 0                              | 2,187,622                      |
| Permissive Motor Vehicle  |                    |                            |                     |                                |                                |
| Taxes Receivable  | 0                  | 0                          | 0                   | 11,006                         | 11,006                         |
| Prepaid Items   | 72,404             | 0                          | 0                   | 14,959                         | 87,363                         |
| Materials and Supplies Inventory  | 35,647             | 0                          | 14,138              | 19,205                         | 68,990                         |
| Property Taxes Receivable   | 1,158,855          | 166,336                    | 777,167             | 385,385                        | 2,487,743                      |
| Assets Held for Resale  | 116,970            | 0                          | 0                   | 0                              | 116,970                        |
| Restricted Assets:  |                    |                            |                     |                                |                                |
| Equity in Pooled Cash and<br>Cash Equivalents in Segregated Accounts          | 12,710             | 0                          | 0                   | 0                              | 12,710                         |
| <i>Total Assets</i>   | <u>\$5,546,580</u> | <u>\$192,487</u>           | <u>\$1,413,341</u>  | <u>\$2,350,956</u>             | <u>\$9,503,364</u>             |
| <b>Liabilities</b>  |                    |                            |                     |                                |                                |
| Accounts Payable  | \$35,929           | \$0                        | \$3,020             | \$71,728                       | \$110,677                      |
| Accrued Wages   | 263,206            | 0                          | 0                   | 18,990                         | 282,196                        |
| Matured Compensated Absences Payable  | 80,831             | 0                          | 0                   | 0                              | 80,831                         |
| Intergovernmental Payable   | 198,652            | 0                          | 3,154               | 17,315                         | 219,121                        |
| <i>Total Liabilities</i>  | <u>578,618</u>     | <u>0</u>                   | <u>6,174</u>        | <u>108,033</u>                 | <u>692,825</u>                 |
| <b>Deferred Inflows of Resources</b>  |                    |                            |                     |                                |                                |
| Property Taxes  | 1,027,974          | 147,441                    | 682,443             | 341,164                        | 2,199,022                      |
| Unavailable Revenue   | 1,893,253          | 28,925                     | 134,169             | 337,389                        | 2,393,736                      |
| <i>Total Deferred Inflows of Resources</i>                                    | <u>2,921,227</u>   | <u>176,366</u>             | <u>816,612</u>      | <u>678,553</u>                 | <u>4,592,758</u>               |
| <b>Fund Balances</b>  |                    |                            |                     |                                |                                |
| Nonspendable  | 237,731            | 0                          | 14,138              | 34,164                         | 286,033                        |
| Restricted  | 0                  | 16,121                     | 576,417             | 1,530,206                      | 2,122,744                      |
| Assigned  | 757,059            | 0                          | 0                   | 0                              | 757,059                        |
| Unassigned  | 1,051,945          | 0                          | 0                   | 0                              | 1,051,945                      |
| <i>Total Fund Balances</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>Total Liabilities, Deferred Inflows of<br/>Resources and Fund Balances</i> | <u>\$5,546,580</u> | <u>\$192,487</u>           | <u>\$1,413,341</u>  | <u>\$2,350,956</u>             | <u>\$9,503,364</u>             |

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, 2013*

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|  |                    |
|--|--------------------|
| <b>Total Governmental Funds Balances</b> | <b>\$4,217,781</b> |
|--|--------------------|

*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. | 36,161,993 |
|---|------------|

|   |           |
|---|-----------|
| 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   | 288,721   |
| Intergovernmental   | 687,029   |
| Municipal Income Taxes  | 995,867   |
| Charges for Services  | 422,119   |
| Total   | 2,393,736 |

|  |          |
|--|----------|
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (98,953) |
|--|----------|

|   |         |
|---|---------|
| Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds. | 556,508 |
|---|---------|

|  |              |
|--|--------------|
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: |              |
| General Obligation Bonds   | (14,026,395) |
| OPWC Loans Payable   | (305,857)    |
| ODOT Payable   | (65,903)     |
| Capital Leases Payable   | (3,455)      |
| Compensated Absences Payable   | (1,185,898)  |
| Claims Payable   | (108,832)    |
| Total  | (15,696,340) |

|  |                            |
|--|----------------------------|
| <i>Net Position of Governmental Activities</i> | <u><u>\$27,534,725</u></u> |
|--|----------------------------|

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, 2013*

|   | General            | General Bond<br>Retirement | Road<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|----------------------------|---------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                    |                            |                     |                                |                                |
| Property Taxes  | \$1,147,924        | \$178,431                  | \$786,705           | \$387,920                      | \$2,500,980                    |
| Municipal Income Taxes                                  | 7,045,961          | 0                          | 0                   | 0                              | 7,045,961                      |
| Hotel Taxes   | 0                  | 0                          | 0                   | 12,722                         | 12,722                         |
| Permissive Motor Vehicle Taxes                          | 0                  | 0                          | 0                   | 138,130                        | 138,130                        |
| Intergovernmental                                       | 1,260,326          | 20,363                     | 157,543             | 1,119,052                      | 2,557,284                      |
| Charges for Services                                    | 810,046            | 0                          | 0                   | 0                              | 810,046                        |
| Fees, Licenses and Permits                              | 377,404            | 0                          | 0                   | 256,521                        | 633,925                        |
| Franchise Taxes   | 372,764            | 0                          | 0                   | 0                              | 372,764                        |
| Fines and Forfeitures                                   | 149,670            | 0                          | 0                   | 11,055                         | 160,725                        |
| Interest  | 5,774              | 3,894                      | 0                   | 233                            | 9,901                          |
| Rentals   | 0                  | 0                          | 0                   | 268,709                        | 268,709                        |
| Contributions and Donations                             | 21,409             | 0                          | 0                   | 0                              | 21,409                         |
| Other   | 46,401             | 0                          | 0                   | 1,971                          | 48,372                         |
| <i>Total Revenues</i>                                   | <u>11,237,679</u>  | <u>202,688</u>             | <u>944,248</u>      | <u>2,196,313</u>               | <u>14,580,928</u>              |
| <b>Expenditures</b>                                     |                    |                            |                     |                                |                                |
| Current:  |                    |                            |                     |                                |                                |
| General Government                                      | 3,952,423          | 2,626                      | 0                   | 0                              | 3,955,049                      |
| Security of Persons and Property                        | 4,793,241          | 0                          | 0                   | 682,873                        | 5,476,114                      |
| Public Health Services                                  | 158,882            | 0                          | 0                   | 0                              | 158,882                        |
| Transportation  | 172,758            | 0                          | 0                   | 881,439                        | 1,054,197                      |
| Community Environment                                   | 252,899            | 0                          | 0                   | 0                              | 252,899                        |
| Basic Utility Services                                  | 87,730             | 0                          | 0                   | 37,680                         | 125,410                        |
| Leisure Time Activities                                 | 658,674            | 0                          | 0                   | 123,293                        | 781,967                        |
| Capital Outlay  | 0                  | 0                          | 1,422,974           | 349,194                        | 1,772,168                      |
| Debt Service:   |                    |                            |                     |                                |                                |
| Principal Retirement                                    | 13,504             | 1,015,000                  | 18,180              | 0                              | 1,046,684                      |
| Interest and Fiscal Charges                             | 512                | 406,682                    | 0                   | 0                              | 407,194                        |
| Bond Issuance Costs                                     | 0                  | 140,113                    | 0                   | 0                              | 140,113                        |
| <i>Total Expenditures</i>                               | <u>10,090,623</u>  | <u>1,564,421</u>           | <u>1,441,154</u>    | <u>2,074,479</u>               | <u>15,170,677</u>              |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | <u>1,147,056</u>   | <u>(1,361,733)</u>         | <u>(496,906)</u>    | <u>121,834</u>                 | <u>(589,749)</u>               |
| <b>Other Financing Sources (Uses)</b>                   |                    |                            |                     |                                |                                |
| Refunding Bonds Issued                                  | 0                  | 4,025,000                  | 0                   | 0                              | 4,025,000                      |
| Discount on Bonds                                       | 0                  | (24,268)                   | 0                   | 0                              | (24,268)                       |
| Payment to Refunded Bond Escrow Agent                   | 0                  | (3,855,922)                | 0                   | 0                              | (3,855,922)                    |
| Transfers In  | 0                  | 1,231,734                  | 622                 | 14,400                         | 1,246,756                      |
| Transfers Out   | (712,400)          | 0                          | 0                   | (533,734)                      | (1,246,134)                    |
| <i>Total Other Financing Sources (Uses)</i>             | <u>(712,400)</u>   | <u>1,376,544</u>           | <u>622</u>          | <u>(519,334)</u>               | <u>145,432</u>                 |
| <i>Net Change in Fund Balances</i>                      | 434,656            | 14,811                     | (496,284)           | (397,500)                      | (444,317)                      |
| <i>Fund Balances Beginning of Year</i>                  | <u>1,612,079</u>   | <u>1,310</u>               | <u>1,086,839</u>    | <u>1,961,870</u>               | <u>4,662,098</u>               |
| <i>Fund Balances End 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>             |

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, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** (\$444,317)

*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       | 1,535,154   |           |
| Capital Contributions | 108,785     |           |
| Depreciation          | (1,929,386) |           |
| Total                 | (285,447)   | (285,447) |

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. (32,290)

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

|                        |          |         |
|------------------------|----------|---------|
| Property Taxes         | 143,475  |         |
| Municipal Income Taxes | 53,193   |         |
| Intergovernmental      | (56,227) |         |
| Charges for Services   | 124,405  |         |
| Total                  | 264,846  | 264,846 |

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         | 1,015,000 |           |
| OPWC Loans Payable               | 18,180    |           |
| Capital Leases Payable           | 13,504    |           |
| Payment to Refunded Escrow Agent | 3,855,922 |           |
| Total                            | 4,902,606 | 4,902,606 |

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

|                        |             |             |
|------------------------|-------------|-------------|
| Refunding Bonds Issued | (4,025,000) |             |
| Bond Discount          | 24,268      |             |
| Total                  | (4,000,732) | (4,000,732) |

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                | 36,625   |       |
| Amortization of Accounting Loss | (26,060) |       |
| Amortization of Discount        | (663)    |       |
| Total                           | 9,902    | 9,902 |

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 | 93,033   |         |
| Claims               | (23,312) |         |
| Total                | 102,672  | 102,672 |

*Change in Net Position of Governmental Activities* \$517,240

**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, 2013*

|   | <u>Budgeted Amounts</u> |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|-------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>     |   |
| <b>Revenues</b>                             |                         |                   |                   |   |
| Property Taxes                              | \$1,278,304             | \$1,278,304       | \$1,147,924       | (\$130,380)   |
| Municipal Income Taxes                      | 6,742,635               | 6,742,635         | 6,575,443         | (167,192)   |
| Intergovernmental                           | 1,272,067               | 1,272,067         | 1,288,104         | 16,037  |
| Charges for Services                        | 773,619                 | 773,619           | 800,639           | 27,020  |
| Fees, Licenses and Permits                  | 414,026                 | 414,026           | 373,786           | (40,240)  |
| Franchise Taxes                             | 278,930                 | 278,930           | 375,376           | 96,446  |
| Fines and Forfeitures                       | 146,141                 | 146,141           | 159,298           | 13,157  |
| Interest                                    | 2,515                   | 2,515             | 5,774             | 3,259   |
| Contributions and Donations                 | 25,133                  | 25,133            | 21,409            | (3,724)   |
| Other                                       | 53,021                  | 53,021            | 45,251            | (7,770)   |
| <i>Total Revenues</i>                       | <u>10,986,390</u>       | <u>10,986,390</u> | <u>10,793,004</u> | <u>(193,386)</u>  |
| <b>Expenditures</b>                         |                         |                   |                   |   |
| Current:                                    |                         |                   |                   |   |
| General Government                          | 4,372,829               | 4,339,021         | 4,077,223         | 261,798   |
| Security of Persons and Property            | 4,995,419               | 5,071,419         | 4,898,646         | 172,773   |
| Public Health Services                      | 169,898                 | 158,898           | 158,005           | 893   |
| Transportation                              | 182,953                 | 186,203           | 171,982           | 14,221  |
| Community Environment                       | 279,076                 | 279,131           | 252,603           | 26,528  |
| Basic Utility Services                      | 37,421                  | 87,219            | 76,064            | 11,155  |
| Leisure Time Activities                     | 685,880                 | 700,880           | 665,483           | 35,397  |
| <i>Total Expenditures</i>                   | <u>10,723,476</u>       | <u>10,822,771</u> | <u>10,300,006</u> | <u>522,765</u>  |
| <i>Excess of Revenues Over Expenditures</i> | 262,914                 | 163,619           | 492,998           | 329,379   |
| <b>Other Financing Uses</b>                 |                         |                   |                   |   |
| Transfers Out                               | (642,400)               | (712,400)         | (712,400)         | 0   |
| <i>Net Change in Fund Balance</i>           | (379,486)               | (548,781)         | (219,402)         | 329,379   |
| <i>Fund Balance Beginning of Year</i>       | 895,978                 | 895,978           | 895,978           | 0   |
| Prior Year Encumbrances Appropriated        | 123,685                 | 123,685           | 123,685           | 0   |
| <i>Fund Balance End of Year</i>             | <u>\$640,177</u>        | <u>\$470,882</u>  | <u>\$800,261</u>  | <u>\$329,379</u>  |

See Accompanying Notes to the Basic Financial Statements

**City of Eastlake, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2013*

|   | <u>Sanitary Sewer</u> | <u>Storm Water</u> | <u>Total</u>       |
|---|-----------------------|--------------------|--------------------|
| <b>Assets</b>   |                       |                    |                    |
| <i>Current Assets</i>                                 |                       |                    |                    |
| Equity in Pooled Cash and Cash Equivalents            | \$2,343,802           | \$81,242           | \$2,425,044        |
| Accounts Receivable                                   | 935,057               | 10,236             | 945,293            |
| Accrued Interest Receivable                           | 2,088                 | 0                  | 2,088              |
| Special Assessments Receivable                        | 3,038                 | 0                  | 3,038              |
| Materials and Supplies Inventory                      | 11,376                | 0                  | 11,376             |
| <i>Total Current Assets</i>                           | <u>3,295,361</u>      | <u>91,478</u>      | <u>3,386,839</u>   |
| <i>Noncurrent Assets</i>                              |                       |                    |                    |
| Special Assessments Receivable                        | 163,204               | 0                  | 163,204            |
| Nondepreciable Capital Assets                         | 75,556                | 0                  | 75,556             |
| Depreciable Capital Assets, Net                       | 4,505,036             | 0                  | 4,505,036          |
| <i>Total Noncurrent Assets</i>                        | <u>4,743,796</u>      | <u>0</u>           | <u>4,743,796</u>   |
| <i>Total Assets</i>                                   | <u>8,039,157</u>      | <u>91,478</u>      | <u>8,130,635</u>   |
| <b>Liabilities</b>                                    |                       |                    |                    |
| <i>Current Liabilities</i>                            |                       |                    |                    |
| Accounts Payable                                      | 14,323                | 0                  | 14,323             |
| Accrued Wages   | 14,934                | 0                  | 14,934             |
| Intergovernmental Payable                             | 16,750                | 0                  | 16,750             |
| Compensated Absences Payable                          | 15,495                | 0                  | 15,495             |
| Capital Leases Payable                                | 59,905                | 0                  | 59,905             |
| OPWC Loan Payable                                     | 7,515                 | 0                  | 7,515              |
| <i>Total Current Liabilities</i>                      | <u>128,922</u>        | <u>0</u>           | <u>128,922</u>     |
| <i>Long-Term Liabilities (Net of Current Portion)</i> |                       |                    |                    |
| Compensated Absences Payable                          | 37,321                | 0                  | 37,321             |
| Capital Leases Payable                                | 61,456                | 0                  | 61,456             |
| OPWC Loan Payable                                     | 129,012               | 0                  | 129,012            |
| <i>Total Long-Term Liabilities</i>                    | <u>227,789</u>        | <u>0</u>           | <u>227,789</u>     |
| <i>Total Liabilities</i>                              | <u>356,711</u>        | <u>0</u>           | <u>356,711</u>     |
| <b>Net Position</b>                                   |                       |                    |                    |
| Net Investment in Capital Assets                      | 4,322,704             | 0                  | 4,322,704          |
| Unrestricted  | 3,359,742             | 91,478             | 3,451,220          |
| <i>Total Net Position</i>                             | <u>\$7,682,446</u>    | <u>\$91,478</u>    | <u>\$7,773,924</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, 2013*

|                                       | <u>Sanitary Sewer</u>     | <u>Storm Water</u>     | <u>Total</u>              |
|---------------------------------------|---------------------------|------------------------|---------------------------|
| <b>Operating Revenue</b>              |                           |                        |                           |
| Charges for Services                  | \$2,629,068               | \$43,144               | \$2,672,212               |
| Tap-In Fees                           | <u>7,500</u>              | <u>0</u>               | <u>7,500</u>              |
| <i>Total Operating Revenues</i>       | <u>2,636,568</u>          | <u>43,144</u>          | <u>2,679,712</u>          |
| <b>Operating Expenses</b>             |                           |                        |                           |
| Personal Services                     | 376,122                   | 0                      | 376,122                   |
| Materials and Supplies                | 1,364,586                 | 0                      | 1,364,586                 |
| Contractual Services                  | 21,983                    | 42,012                 | 63,995                    |
| Depreciation                          | <u>168,833</u>            | <u>0</u>               | <u>168,833</u>            |
| <i>Total Operating Expenses</i>       | <u>1,931,524</u>          | <u>42,012</u>          | <u>1,973,536</u>          |
| <i>Operating Income</i>               | 705,044                   | 1,132                  | 706,176                   |
| <b>Non-Operating Expense</b>          |                           |                        |                           |
| Transfers Out                         | <u>(622)</u>              | <u>0</u>               | <u>(622)</u>              |
| <i>Change in Net Position</i>         | 704,422                   | 1,132                  | 705,554                   |
| <i>Net Position Beginning of Year</i> | <u>6,978,024</u>          | <u>90,346</u>          | <u>7,068,370</u>          |
| <i>Net Position End of Year</i>       | <u><u>\$7,682,446</u></u> | <u><u>\$91,478</u></u> | <u><u>\$7,773,924</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, 2013

|   | <u>Sanitary Sewer</u>     | <u>Storm Water</u>     | <u>Total</u>              |
|---|---------------------------|------------------------|---------------------------|
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>   |                           |                        |                           |
| <b>Cash Flows from Operating Activities</b>   |                           |                        |                           |
| Cash Received from Customers  | \$2,658,404               | \$41,968               | \$2,700,372               |
| Cash Payments to Suppliers for Goods and Services   | (1,372,230)               | (42,012)               | (1,414,242)               |
| Cash Payments for Employee Services and Benefits  | (386,113)                 | 0                      | (386,113)                 |
| <i>Net Cash Provided by (Used for) Operating Activities</i>                                       | <u>900,061</u>            | <u>(44)</u>            | <u>900,017</u>            |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                   |                           |                        |                           |
| Principal Paid on OPWC Loan   | (6,265)                   | 0                      | (6,265)                   |
| Principal Paid on Capital Lease   | (58,393)                  | 0                      | (58,393)                  |
| <i>Net Cash Used for Capital and Related Financing Activities</i>                                 | <u>(64,658)</u>           | <u>0</u>               | <u>(64,658)</u>           |
| <b>Cash Flows from Noncapital Financing Activities</b>  |                           |                        |                           |
| Transfer Out  | (622)                     | 0                      | (622)                     |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 834,781                   | (44)                   | 834,737                   |
| <i>Cash and Cash Equivalents Beginning of Year</i>  | <u>1,509,021</u>          | <u>81,286</u>          | <u>1,590,307</u>          |
| <i>Cash and Cash Equivalents End of Year</i>  | <u><u>\$2,343,802</u></u> | <u><u>\$81,242</u></u> | <u><u>\$2,425,044</u></u> |
| <b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</b> |                           |                        |                           |
| Operating Income  | \$705,044                 | \$1,132                | \$706,176                 |
| Adjustments:  |                           |                        |                           |
| Depreciation  | 168,833                   | 0                      | 168,833                   |
| (Increase) Decrease in Assets:  |                           |                        |                           |
| Accounts Receivable   | (7,297)                   | (1,176)                | (8,473)                   |
| Special Assessments Receivable  | 29,133                    | 0                      | 29,133                    |
| Materials and Supplies Inventory  | 353                       | 0                      | 353                       |
| Increase (Decrease) in Liabilities:   |                           |                        |                           |
| Accounts Payable  | 13,986                    | 0                      | 13,986                    |
| Accrued Wages   | 790                       | 0                      | 790                       |
| Compensated Absences Payable  | (1,462)                   | 0                      | (1,462)                   |
| Intergovernmental Payable   | (9,319)                   | 0                      | (9,319)                   |
| <i>Net Cash Provided by (Used for) Operating Activities</i>                                       | <u><u>\$900,061</u></u>   | <u><u>(\$44)</u></u>   | <u><u>\$900,017</u></u>   |

See Accompanying Notes to the Basic Financial Statements

**City of Eastlake, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2013*

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|  |                         |
|--|-------------------------|
| <b>Assets</b>                              |                         |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$263,222</u></u> |
| <b>Liabilities</b>                         |                         |
| Deposits Held and Due to Others            | <u><u>\$263,222</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, 2013*

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**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 18, 19 and 20 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, 2013*

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***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, 2013*

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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, 2013*

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***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 7). 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, 2013, but which were levied to finance year 2014 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, 2013*

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***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 2013, 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 2013. 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, 2013.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$5,774, of which \$ 4,591 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, 2013, 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*  
*For the Year Ended December 31, 2013*

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<br>Activities<br>Estimated Lives | Business-Type<br>Activities<br>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, 2013*

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***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, 2013*

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**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 2014'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*  
*For the Year Ended December 31, 2013*

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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 – Changes in Accounting Principles**

For year 2013, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus - an amendment of GASB Statements 14 and 34.” This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and the display of component units’ presentation and certain disclosure requirements. The implementation of the statement did not result in any change in the City’s financial statements.

**Note 4 - 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**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

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                              | \$434,656   |
| Net Adjustment for Revenue Accruals     | (444,675)   |
| Net Adjustment for Expenditure Accruals | (149,506)   |
| Encumbrances                            | (59,877)    |
| Budget Basis                            | (\$219,402) |

**Note 5 – 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       |
|----------------------------------|-------------|-------------------------|------------------|--------------------------|-------------|
| <b><i>Nonspendable</i></b>       |             |                         |                  |                          |             |
| Unclaimed Monies                 | \$12,710    | \$0                     | \$0              | \$0                      | \$12,710    |
| Assets Held for Resale           | 116,970     | 0                       | 0                | 0                        | 116,970     |
| Prepaid Items                    | 72,404      | 0                       | 0                | 14,959                   | 87,363      |
| Materials and Supplies Inventory | 35,647      | 0                       | 14,138           | 19,205                   | 68,990      |
| <i>Total Nonspendable</i>        | 237,731     | 0                       | 14,138           | 34,164                   | 286,033     |
| <b><i>Restricted for</i></b>     |             |                         |                  |                          |             |
| Road Improvements                | 0           | 0                       | 576,417          | 449,362                  | 1,025,779   |
| Public Safety                    | 0           | 0                       | 0                | 306,888                  | 306,888     |
| Fire Operations                  | 0           | 0                       | 0                | 285,109                  | 285,109     |
| Police and Fire Pension          | 0           | 0                       | 0                | 6,128                    | 6,128       |
| Senior Citizens                  | 0           | 0                       | 0                | 101,926                  | 101,926     |
| Stadium Maintenance              | 0           | 0                       | 0                | 177,620                  | 177,620     |
| Recreation Land Acquisition      | 0           | 0                       | 0                | 203,173                  | 203,173     |
| Debt Service Payments            | 0           | 16,121                  | 0                | 0                        | 16,121      |
| <i>Total Restricted</i>          | 0           | 16,121                  | 576,417          | 1,530,206                | 2,122,744   |
| <b><i>Assigned to</i></b>        |             |                         |                  |                          |             |
| 2014 Appropriations              | 699,723     | 0                       | 0                | 0                        | 699,723     |
| Purchases on order               | 57,336      | 0                       | 0                | 0                        | 57,336      |
| <i>Total Assigned</i>            | 757,059     | 0                       | 0                | 0                        | 757,059     |
| <b><i>Unassigned</i></b>         |             |                         |                  |                          |             |
|                                  | 1,051,945   | 0                       | 0                | 0                        | 1,051,945   |
| <i>Total Fund Balances</i>       | \$2,046,735 | \$16,121                | \$590,555        | \$1,564,370              | \$4,217,781 |

**Note 6 - 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.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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.

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.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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, \$769,789 of the City's bank balance of \$5,577,200 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, 2013, the City had \$150,824 invested in STAR Ohio with an average maturity of 53.4 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.

**Note 7 - Receivables**

Receivables at December 31, 2013, 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).

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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 \$163,204 in the sanitary sewer enterprise fund. At December 31, 2013, the amount of delinquent special assessments was \$80,622.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2013 real property taxes are levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013 was \$8.30 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2013 property tax receipts were based are as follows:

| <u>Category</u>                  | <u>Assessed Value</u>       |
|----------------------------------|-----------------------------|
| Real Estate                      |                             |
| Residential/Agricultural         | \$281,166,040               |
| Other Real Estate                | 113,626,900                 |
| Public Utility Personal Property | <u>56,835,480</u>           |
| Total Assessed Values            | <u><u>\$451,628,420</u></u> |

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, 2013, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 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.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***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>             |
|--------------------------------|---------------------------|
| <b>Governmental Activities</b> |                           |
| Local Government               | \$542,600                 |
| Medicare Payments - Ambulance  | 337,095                   |
| Gasoline Tax                   | 332,705                   |
| Homestead and Rollback         | 139,402                   |
| Auto Registration              | 72,667                    |
| Estate Tax                     | 6,094                     |
| Village of Lakeline            | 4,526                     |
| Lake County                    | <u>2,100</u>              |
| Total                          | <u><u>\$1,437,189</u></u> |

**Note 8 - Interfund Transfers**

During 2013, the general fund transferred \$698,000 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 \$533,734 to the general bond retirement debt service fund as debt payments came due. The sewer fund transferred \$622 to the road improvements capital projects fund for debt payments.

**Note 9 - 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.

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 the City's financial health occur. The City has not met those conditions and likely will not in the foreseeable future.

**City of Eastlake, Ohio**  
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For the Year Ended December 31, 2013

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, 2013 to December 31, 2013, 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 10 - Capital Assets**

A summary of changes in capital assets during 2013 follows:

|   | Balance<br>12/31/2012 | Additions          | Deletions         | Balance<br>12/31/2013 |
|---|-----------------------|--------------------|-------------------|-----------------------|
| <b>Governmental Activities</b>                |                       |                    |                   |                       |
| <i>Nondepreciable Capital Assets</i>          |                       |                    |                   |                       |
| Land  | \$7,044,735           | \$0                | \$0               | \$7,044,735           |
| Construction in Progress                      | 0                     | 217,570            | 0                 | 217,570               |
| <i>Total Nondepreciable Capital Assets</i>    | <u>7,044,735</u>      | <u>217,570</u>     | <u>0</u>          | <u>7,262,305</u>      |
| <i>Depreciable Capital Assets</i>             |                       |                    |                   |                       |
| Land Improvements                             | 17,945,965            | 16,150             | 0                 | 17,962,115            |
| Buildings and Improvements                    | 8,778,155             | 207,870            | 0                 | 8,986,025             |
| Machinery and Equipment                       | 3,381,417             | 340,443            | 0                 | 3,721,860             |
| Vehicles                                      | 4,766,325             | 239,040            | (94,345)          | 4,911,020             |
| Infrastructure                                | 24,031,222            | 622,866            | 0                 | 24,654,088            |
| <i>Total Depreciable Capital Assets</i>       | <u>\$58,903,084</u>   | <u>\$1,426,369</u> | <u>(\$94,345)</u> | <u>\$60,235,108</u>   |
| Less Accumulated Depreciation:                |                       |                    |                   |                       |
| Land Improvements                             | (4,017,412)           | (364,034)          | 0                 | (4,381,446)           |
| Buildings and Improvements                    | (4,917,758)           | (160,144)          | 0                 | (5,077,902)           |
| Machinery and Equipment                       | (2,216,570)           | (190,153)          | 0                 | (2,406,723)           |
| Vehicles                                      | (2,745,502)           | (229,084)          | 62,055            | (2,912,531)           |
| Infrastructure                                | (15,570,847)          | (985,971)          | 0                 | (16,556,818)          |
| <i>Total Accumulated Depreciation</i>         | <u>(29,468,089)</u>   | <u>(1,929,386)</u> | <u>62,055</u>     | <u>(31,335,420)</u>   |
| <i>Total Depreciable Capital Assets, Net</i>  | <u>29,434,995</u>     | <u>(503,017)</u>   | <u>(32,290)</u>   | <u>28,899,688</u>     |
| <i>Total Governmental Capital Assets, Net</i> | <u>\$36,479,730</u>   | <u>(\$285,447)</u> | <u>(\$32,290)</u> | <u>\$36,161,993</u>   |

During 2013, the City received street improvements from developers valued at \$108,785.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

|   | Balance<br>12/31/2012 | Additions          | Deletions  | Balance<br>12/31/2013 |
|---|-----------------------|--------------------|------------|-----------------------|
| <b>Business-Type Activities</b>                           |                       |                    |            |                       |
| <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               | 0                  | 0          | 641,505               |
| Vehicles  | 502,020               | 0                  | 0          | 502,020               |
| Infrastructure  |                       |                    |            |                       |
| Sewers  | 9,553,137             | 0                  | 0          | 9,553,137             |
| <i>Total Depreciable Capital Assets</i>                   | <u>13,559,449</u>     | <u>0</u>           | <u>0</u>   | <u>13,559,449</u>     |
| Less Accumulated Depreciation:                            |                       |                    |            |                       |
| Buildings and Improvements                                | (887,453)             | (61,147)           | 0          | (948,600)             |
| Machinery and Equipment                                   | (105,316)             | (32,127)           | 0          | (137,443)             |
| Vehicles  | (396,005)             | (18,462)           | 0          | (414,467)             |
| Infrastructure  |                       |                    |            |                       |
| Sewers  | (7,496,806)           | (57,097)           | 0          | (7,553,903)           |
| <i>Total Accumulated Depreciation</i>                     | <u>(8,885,580)</u>    | <u>(168,833)</u>   | <u>0</u>   | <u>(9,054,413)</u>    |
| <i>Total Depreciable Capital Assets, Net</i>              | <u>4,673,869</u>      | <u>(168,833)</u>   | <u>0</u>   | <u>4,505,036</u>      |
| <i>Total Business-Type Activities Capital Assets, Net</i> | <u>\$4,749,425</u>    | <u>(\$168,833)</u> | <u>\$0</u> | <u>\$4,580,592</u>    |

Depreciation expense was charged to governmental functions as follows:

|                                  |                    |
|----------------------------------|--------------------|
| General Government               | \$40,990           |
| Security of Persons and Property | 238,679            |
| Transportation                   | 130,963            |
| Community Environment            | 88                 |
| Basic Utility Services           | 532,695            |
| Leisure Time Activities          | 985,971            |
| Total                            | <u>\$1,929,386</u> |

**Note 11 - 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, 2013, the City has two homes which are being held for resale.

**Note 12 - 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 2013, the City participated in NORMA, an insurance pool for the following types of insurance:

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

| Type                           | Coverage      |
|--------------------------------|---------------|
| Property                       | \$420,938,623 |
| Inland Marine                  | 7,300,000     |
| 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 2013 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 2013. The minimum premium portion of intergovernmental payable is \$138,963 and the actual claim costs are \$97,337. The maintenance of these benefits is accounted for in the general fund. Claims of \$108,832 have been accrued as a liability at December 31, 2013 based on an estimate provided by CareWorks Consultants. Changes in the claims liability amount in 2012 and 2013 were:

|      | Balance at<br>Beginning<br>of Year | Current<br>Year Claims | Claim<br>Payments | Balance at<br>End of Year |
|------|------------------------------------|------------------------|-------------------|---------------------------|
| 2012 | \$37,728                           | \$85,520               | \$37,728          | \$85,520                  |
| 2013 | 85,520                             | 120,649                | 97,337            | 108,832                   |

**Note 13 – Defined Benefit Pension Plan**

***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 Pension 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 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 Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 members in State and local divisions. For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$338,611, \$194,692, and \$244,364, respectively. For 2013, 91.21 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$8,811 made by the City and \$6,294 made by the plan members.

***Ohio Police and Fire Pension Fund***

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

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for the police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, thru December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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OP&F for police and firefighters were \$280,255 and \$332,578 for the year ended December 31, 2013, \$236,139 and \$291,558 for the year ended December 31, 2012, and \$300,360 and \$345,148 for the year ended December 31, 2011, respectively. For 2013, 91.50 percent for police and 91.20 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

#### **Note 14 - Postemployment Benefits**

##### ***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The 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>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment 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 fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local government employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates 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 of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by OPERS actuary.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$26,047, \$126,995, and \$160,632, respectively. For 2013, 91.21 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approval health care changes, OPERS expects to consistently allocate four percent of the employer contributions 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 (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements 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 OP&F Board of Trustees.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$47,972 and \$44,816 for the year ended December 31, 2013, \$115,923 and \$107,836 for the year ended December 31, 2012, and \$147,450 and \$127,658 for the year ended December 31, 2011, respectively. For 2013, 91.50 percent for police and 91.20 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

**Note 15 - 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 |
|---|---------------|-----------------------|------------------|
| <b>Governmental Activities</b>                    |               |                       |                  |
| <i>General Obligation Bonds:</i>                  |               |                       |                  |
| Various Purpose Bonds - 2004                      | 2.5-5%        | 9,890,000             | 2031             |
| Capital Facilities Bonds - 2004                   | 3.6-5.75%     | 4,320,000             | 2031             |
| 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             |
| Eastlake 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             |
| <b>Business-Type Activities</b>                   |               |                       |                  |
| <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, 2013

Changes in long-term obligations of the City during 2013 were as follows:

|   | Balance<br>12/31/2012 | Increase           | Decrease           | Balance<br>12/31/2013 | Amounts Due<br>in One Year |
|---|-----------------------|--------------------|--------------------|-----------------------|----------------------------|
| <b>Governmental Activities</b>                  |                       |                    |                    |                       |                            |
| <b>General Obligation Bonds</b>                 |                       |                    |                    |                       |                            |
| Various Purpose Bonds - Term                    | \$60,000              | \$0                | \$0                | \$60,000              | \$0                        |
| Capital Facilities Bonds                        |                       |                    |                    |                       |                            |
| Serial  | 505,000               | 0                  | 505,000            | 0                     | 0                          |
| Term  | 3,215,000             | 0                  | 3,215,000          | 0                     | 0                          |
| Total Capital Facilities Bonds                  | 3,720,000             | 0                  | 3,720,000          | 0                     | 0                          |
| Capital Facilities Refunding Bonds              |                       |                    |                    |                       |                            |
| Serial  | 0                     | 1,950,000          | 110,000            | 1,840,000             | 55,000                     |
| Term  | 0                     | 2,075,000          | 0                  | 2,075,000             | 0                          |
| Discount  | 0                     | (24,268)           | (663)              | (23,605)              | 0                          |
| Total Capital Facilities Refunding Bonds        | 0                     | 4,000,732          | 109,337            | 3,891,395             | 55,000                     |
| City Hall Construction Refunding Bonds - Serial | 1,280,000             | 0                  | 235,000            | 1,045,000             | 240,000                    |
| Tax Exempt Various Purpose Refunding Bonds      |                       |                    |                    |                       |                            |
| Serial  | 8,210,000             | 0                  | 555,000            | 7,655,000             | 570,000                    |
| Term  | 1,375,000             | 0                  | 0                  | 1,375,000             | 0                          |
| Total Various Purpose Bonds                     | 9,585,000             | 0                  | 555,000            | 9,030,000             | 570,000                    |
| <i>Total General Obligation Bonds</i>           | 14,645,000            | 4,000,732          | 4,619,337          | 14,026,395            | 865,000                    |
| <b>OPWC Loans</b>                               |                       |                    |                    |                       |                            |
| North Parkway Road and Sewer                    | 15,000                | 0                  | 1,250              | 13,750                | 2,500                      |
| East 377th Street Road Improvement              | 10,360                | 0                  | 3,453              | 6,907                 | 6,907                      |
| Parkland Drive Road and Sewer                   | 9,963                 | 0                  | 622                | 9,341                 | 1,246                      |
| Stevens Boulevard Road and Sewer                | 19,655                | 0                  | 1,228              | 18,427                | 2,457                      |
| East Overlook Road, Storm and Sanitary Sewer    | 13,783                | 0                  | 656                | 13,127                | 1,313                      |
| Roberts Road Improvements                       | 90,000                | 0                  | 3,750              | 86,250                | 7,500                      |
| Plymouth Road and Sewer                         | 37,830                | 0                  | 1,455              | 36,375                | 2,910                      |
| Roberts Road Improvements-Phase 2               | 91,682                | 0                  | 4,825              | 86,857                | 4,826                      |
| Edison and Mondamin Storm Sewer                 | 35,764                | 0                  | 941                | 34,823                | 1,882                      |
| <i>Total OPWC Loans</i>                         | 324,037               | 0                  | 18,180             | 305,857               | 31,541                     |
| <b>Other Long-Term Obligations</b>              |                       |                    |                    |                       |                            |
| ODOT Payable                                    | 98,854                | 0                  | 32,951             | 65,903                | 32,951                     |
| Capital Leases Payable                          | 16,959                | 0                  | 13,504             | 3,455                 | 3,455                      |
| Compensated Absences Payable                    | 1,278,931             | 216,457            | 309,490            | 1,185,898             | 238,255                    |
| Workers' Compensation Liability                 | 85,520                | 120,649            | 97,337             | 108,832               | 97,176                     |
| <i>Total Other Long-Term Obligations</i>        | 1,480,264             | 337,106            | 453,282            | 1,364,088             | 371,837                    |
| <b>Total Governmental Activities</b>            | <b>\$16,449,301</b>   | <b>\$4,337,838</b> | <b>\$5,090,799</b> | <b>\$15,696,340</b>   | <b>\$1,268,378</b>         |

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

|  | Balance<br>12/31/2012 | Increase        | Decrease        | Balance<br>12/31/2013 | Amounts Due<br>in One Year |
|--|-----------------------|-----------------|-----------------|-----------------------|----------------------------|
| <b>Business-Type Activities</b>          |                       |                 |                 |                       |                            |
| <b>OPWC Loan</b>                         |                       |                 |                 |                       |                            |
| Robin/Forest/King Drive Pump Stations    | \$42,500              | \$0             | \$1,250         | \$41,250              | \$2,500                    |
| Quentin Road Pump Station                | 100,292               | 0               | 5,015           | 95,277                | 5,015                      |
| <i>Total OPWC Loans</i>                  | <u>142,792</u>        | <u>0</u>        | <u>6,265</u>    | <u>136,527</u>        | <u>7,515</u>               |
| <b>Other Long-Term Obligations</b>       |                       |                 |                 |                       |                            |
| Capital Leases Payable                   | 179,754               | 0               | 58,393          | 121,361               | 59,905                     |
| Compensated Absences Payable             | 54,278                | 13,630          | 15,092          | 52,816                | 15,495                     |
| <i>Total Other Long-Term Obligations</i> | <u>234,032</u>        | <u>13,630</u>   | <u>73,485</u>   | <u>174,177</u>        | <u>75,400</u>              |
| Total Business-Type Activities           | <u>\$376,824</u>      | <u>\$13,630</u> | <u>\$79,750</u> | <u>\$310,704</u>      | <u>\$82,915</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, 2013 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, 2012 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, 2013 is \$5,915,000.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

**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.

|  | 2004<br>Capital<br>Facilities |
|--|-------------------------------|
| Outstanding at December 31, 2012             | \$3,720,000                   |
| Amount Refunded                              | (3,605,000)                   |
| Principal Payment on<br>Non-Refunded Portion | (115,000)                     |
| Outstanding at December 31, 2013             | \$0                           |

Net proceeds of \$3,855,922 (including a \$24,268 discount and after payment of \$140,113 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2004 various purpose bonds. As a result, \$3,720,000 of these bonds was considered defeased and the liability for the refunded bonds has been removed from the County's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

**2004 Capital Facilities Bonds:**

|   |             |
|---|-------------|
| Serial Bonds  | \$390,000   |
| Term Bonds  | \$3,215,000 |
| Total 2004 Capital Facilities Bonds                         | 3,605,000   |
| Payment to Refunded Bond Escrow Agent - Other Financing Use | (3,855,922) |
| 2013 Capital Facilities Refunding Accounting Loss           | (\$250,922) |

Although the refunding will result in the recognition of an accounting loss of \$250,922, the City in effect decreased its aggregated debt service payments by \$263,221 over the next 18 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$192,928.

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> |

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

**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 \$32,968,326 with an unvoted debt margin of \$10,386,905 at December 31, 2013.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2013, were as follows:

| <b>Governmental Activities</b> |              |             |             |           |
|--------------------------------|--------------|-------------|-------------|-----------|
| General Obligation Bonds       |              |             |             |           |
| Year                           | Serial       |             | Term        |           |
|                                | Principal    | Interest    | Principal   | Interest  |
| 2014                           | \$865,000    | \$422,655   | \$128,470   | \$3,000   |
| 2015                           | 1,025,000    | 400,830     | 0           | 3,000     |
| 2016                           | 1,045,000    | 375,795     | 0           | 3,000     |
| 2017                           | 1,070,000    | 349,065     | 0           | 3,000     |
| 2018                           | 800,000      | 321,365     | 0           | 3,000     |
| 2019-2023                      | 2,950,000    | 1,035,858   | 1,375,000   | 269,065   |
| 2024-2028                      | 2,785,000    | 233,002     | 1,280,000   | 343,831   |
| 2029-2031                      | 0            | 0           | 855,000     | 75,688    |
| Total                          | \$10,540,000 | \$3,138,570 | \$3,638,470 | \$703,584 |

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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| Year         | OPWC Loans       | ODOT Payable    |
|--------------|------------------|-----------------|
|              | Principal        | Principal       |
| 2014         | \$31,541         | \$32,951        |
| 2015         | 24,633           | 32,952          |
| 2016         | 24,633           | 0               |
| 2017         | 24,633           | 0               |
| 2018         | 24,633           | 0               |
| 2019-2023    | 102,652          | 0               |
| 2024-2028    | 52,062           | 0               |
| 2029-2033    | 21,070           | 0               |
| <b>Total</b> | <b>\$305,857</b> | <b>\$65,903</b> |

| <b>Business-Type Activities</b> |                  |
|---------------------------------|------------------|
| Year                            | OPWC Loans       |
|                                 | Principal        |
| 2014                            | \$7,515          |
| 2015                            | 7,515            |
| 2016                            | 7,515            |
| 2017                            | 7,515            |
| 2018                            | 7,515            |
| 2019-2023                       | 37,575           |
| 2024-2028                       | 37,575           |
| 2029-2032                       | 23,802           |
| <b>Total</b>                    | <b>\$136,527</b> |

**Note 16 - 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<br>Activities | Business-Type<br>Activities |
|--------------------------------|----------------------------|-----------------------------|
| Copiers                        | \$62,301                   | \$0                         |
| Sewer Cleaner                  | 0                          | 299,720                     |
| Less: Accumulated Depreciation | (62,301)                   | (44,958)                    |
| <b>Total</b>                   | <b>\$0</b>                 | <b>\$254,762</b>            |

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, 2013.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

|   | Governmental<br>Activities | Business-Type<br>Activities |
|---|----------------------------|-----------------------------|
| 2014                                    | \$3,493                    | \$63,048                    |
| 2015                                    | 0                          | 63,048                      |
| Total Mimimum Lease Payments            | 3,493                      | 126,096                     |
| Less: Amount representing interest      | (38)                       | (4,735)                     |
| Present Value of Mimimum Lease Payments | \$3,455                    | \$121,361                   |

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 17 – 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. Upon retirement, employees are paid a percentage of all the sick days they have accumulated.

**Note 18 - 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.

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 2013, 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](http://www.nopecinfo.org).

**Note 19 - 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.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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 2013, the City of Eastlake paid \$114,230 in premiums from the general fund and special revenue funds, which represents 9.5 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 20 - 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.

**Note 21 – 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:

| <b>Governmental Funds</b> |                  | <b>Proprietary Funds</b> |                 |
|---------------------------|------------------|--------------------------|-----------------|
| General                   | \$59,877         | Sanitary Sewer           | <u>\$18,116</u> |
| Road Improvements         | 81,695           |                          |                 |
| Other Governmental Funds  | <u>157,667</u>   |                          |                 |
| Total Governmental Funds  | <u>\$299,239</u> |                          |                 |

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**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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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, 2012. 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 2012 are as follows:

- On November 6, 2012, the voters of the City of Eastlake passed a 1.8 mill renewal operating levy. The levy generates approximately \$450,000 annually for police and fire services, road work, snow removal, leaf pickup and the operation of the senior center parks.
- During 2012, the City transferred garbage collection and billing to Republic Services as a cost saving effort to the City as well as reducing the collection fee to the residents of the City.
- The City continues to focus on the maintenance and repair of sidewalks and streets. In 2012, asphalt paving was completed on East 347<sup>th</sup> and East 348<sup>th</sup> Streets and South Lakeshore Boulevard. The City also completed major slope repairs to Lakeshore Boulevard.

### **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 2012?" 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.

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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 2012 compared to 2011.

**Table 1**  
*Net Position*

|                                       | Governmental Activities |                     | Business-Type Activities |                    | Total               |                     |
|---------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
|                                       | 2012                    | 2011                | 2012                     | 2011               | 2012                | 2011                |
| <b>Assets</b>                         |                         |                     |                          |                    |                     |                     |
| Current and Other Assets              | \$10,240,968            | \$10,094,907        | \$2,736,319              | \$1,684,286        | \$12,977,287        | \$11,779,193        |
| Capital Assets, Net                   | 36,479,730              | 37,273,005          | 4,749,425                | 4,787,283          | 41,229,155          | 42,060,288          |
| <b>Total Assets</b>                   | <b>46,720,698</b>       | <b>47,367,912</b>   | <b>7,485,744</b>         | <b>6,471,569</b>   | <b>54,206,442</b>   | <b>53,839,481</b>   |
| <b>Deferred Outflows of Resources</b> | <b>331,646</b>          | <b>0</b>            | <b>0</b>                 | <b>0</b>           | <b>331,646</b>      | <b>0</b>            |
| <b>Liabilities</b>                    |                         |                     |                          |                    |                     |                     |
| Current Liabilities                   | 1,105,955               | 1,113,562           | 40,550                   | 33,164             | 1,146,505           | 1,146,726           |
| Long-Term Liabilities                 |                         |                     |                          |                    |                     |                     |
| Due Within One Year                   | 1,268,408               | 1,224,290           | 81,000                   | 73,720             | 1,349,408           | 1,298,010           |
| Due in More Than One Year             | 15,180,893              | 15,936,097          | 295,824                  | 259,697            | 15,476,717          | 16,195,794          |
| <b>Total Liabilities</b>              | <b>17,555,256</b>       | <b>18,273,949</b>   | <b>417,374</b>           | <b>366,581</b>     | <b>17,972,630</b>   | <b>18,640,530</b>   |
| <b>Deferred Inflows of Resources</b>  | <b>2,479,603</b>        | <b>2,739,384</b>    | <b>0</b>                 | <b>0</b>           | <b>2,479,603</b>    | <b>2,739,384</b>    |
| <b>Net Position</b>                   |                         |                     |                          |                    |                     |                     |
| Net Investment in Capital Assets      | 21,838,866              | 21,606,676          | 4,426,879                | 4,505,611          | 26,265,745          | 26,112,287          |
| Restricted for:                       |                         |                     |                          |                    |                     |                     |
| Capital Projects                      | 2,001,020               | 1,644,581           | 0                        | 0                  | 2,001,020           | 1,644,581           |
| Other Purposes                        | 1,460,686               | 1,294,738           | 0                        | 0                  | 1,460,686           | 1,294,738           |
| Unrestricted                          | 1,716,913               | 1,808,584           | 2,641,491                | 1,599,377          | 4,358,404           | 3,407,961           |
| <b>Total Net Position</b>             | <b>\$27,017,485</b>     | <b>\$26,354,579</b> | <b>\$7,068,370</b>       | <b>\$6,104,988</b> | <b>\$34,085,855</b> | <b>\$32,459,567</b> |

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Total net position for governmental activities showed an increase largely due to the City paying down their long-term debt obligations. In prior years, the City refunded a portion of their long-term debt in order to take advantage of lower interest rates. In doing so, the City was able to lower their principal and interest payments. The City is also closely monitoring their spending. As a result, expenditures decreased significantly from the previous year.

Total net position for business-type activities saw a significant increase that can be primarily attributed to the increase in sewer receipts due to the increase in the sewer rates from the previous year as well as a large decrease in expenditures by limiting the purchase of materials and supplies in the sewer department. In doing so, the City was able to make major improvements to Edwards Avenue storm sewer and continue major construction upgrades to the Quentin Road pump station.

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               |                     |
|------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
|                                    | 2012                    | 2011                | 2012                     | 2011               | 2012                | 2011                |
| <b>Revenues</b>                    |                         |                     |                          |                    |                     |                     |
| Program Revenues                   |                         |                     |                          |                    |                     |                     |
| Charges for Services               | \$1,892,216             | \$2,914,808         | \$2,835,263              | \$2,586,295        | \$4,727,479         | \$5,501,103         |
| Operating Grants and Contributions | 1,225,490               | 1,378,022           | 0                        | 0                  | 1,225,490           | 1,378,022           |
| Capital Grants and Interest        | 723,244                 | 483,776             | 0                        | 2,088              | 723,244             | 485,864             |
| <b>Total Program Revenues</b>      | <b>3,840,950</b>        | <b>4,776,606</b>    | <b>2,835,263</b>         | <b>2,588,383</b>   | <b>6,676,213</b>    | <b>7,364,989</b>    |
| General Revenues                   |                         |                     |                          |                    |                     |                     |
| Property Taxes                     | 2,427,761               | 2,772,566           | 0                        | 0                  | 2,427,761           | 2,772,566           |
| Income Taxes                       | 6,676,922               | 6,473,579           | 0                        | 0                  | 6,676,922           | 6,473,579           |
| Hotel Taxes                        | 60,428                  | 281,148             | 0                        | 0                  | 60,428              | 281,148             |
| Permissive Motor Vehicle Taxes     | 137,765                 | 0                   | 0                        | 0                  | 137,765             | 0                   |
| Grants and Entitlements            | 1,420,618               | 2,227,974           | 0                        | 0                  | 1,420,618           | 2,227,974           |
| Franchise Taxes                    | 285,961                 | 266,889             | 0                        | 0                  | 285,961             | 266,889             |
| Investment Earnings                | 3,553                   | 5,153               | 0                        | 0                  | 3,553               | 5,153               |
| Unrestricted Contributions         | 20,553                  | 0                   | 0                        | 0                  | 20,553              | 0                   |
| Other                              | 39,704                  | 108,128             | 0                        | 0                  | 39,704              | 108,128             |
| <b>Total General Revenues</b>      | <b>11,073,265</b>       | <b>12,135,437</b>   | <b>0</b>                 | <b>0</b>           | <b>11,073,265</b>   | <b>12,135,437</b>   |
| <b>Total Revenues</b>              | <b>\$14,914,215</b>     | <b>\$16,912,043</b> | <b>\$2,835,263</b>       | <b>\$2,588,383</b> | <b>\$17,749,478</b> | <b>\$19,500,426</b> |

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
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**Table 2**  
*Change in Net Position (continued)*

|                                     | Governmental Activities |              | Business-Type Activities |             | Total         |               |
|-------------------------------------|-------------------------|--------------|--------------------------|-------------|---------------|---------------|
|                                     | 2012                    | 2011         | 2012                     | 2011        | 2012          | 2011          |
| <b>Program Expenses</b>             |                         |              |                          |             |               |               |
| General Government                  | \$3,700,502             | \$4,614,629  | \$0                      | \$0         | (\$3,700,502) | (\$4,614,629) |
| Security of Persons and Property    | 5,445,966               | 6,587,675    | 0                        | 0           | (5,445,966)   | (6,587,675)   |
| Public Health Services              | 168,937                 | 175,749      | 0                        | 0           | (168,937)     | (175,749)     |
| Transportation                      | 1,692,219               | 1,719,656    | 0                        | 0           | (1,692,219)   | (1,719,656)   |
| Community Environment               | 229,724                 | 309,974      | 0                        | 0           | (229,724)     | (309,974)     |
| Basic Utility Services              | 827,038                 | 2,152,737    | 0                        | 0           | (827,038)     | (2,152,737)   |
| Leisure Time Activities             | 1,636,116               | 1,185,163    | 0                        | 0           | (1,636,116)   | (1,185,163)   |
| Interest and Fiscal Charges         | 550,807                 | 929,715      | 0                        | 0           | (550,807)     | (929,715)     |
| Sanitary Sewer                      | 0                       | 0            | 1,871,881                | 911,032     | (1,871,881)   | (911,032)     |
| Storm Water                         | 0                       | 0            | 0                        | 0           | 0             | 0             |
| Total Program Expenses              | 14,251,309              | 17,675,298   | 1,871,881                | 911,032     | (16,123,190)  | (18,586,330)  |
| Increase (Decrease) in Net Position | 662,906                 | (763,255)    | 963,382                  | 1,677,351   | 1,626,288     | 914,096       |
| Net Position Beginning of Year      | 26,354,579              | 27,117,834   | 6,104,988                | 4,427,637   | 32,459,567    | 31,545,471    |
| Net Position End of Year            | \$27,017,485            | \$26,354,579 | \$7,068,370              | \$6,104,988 | \$34,085,855  | \$32,459,567  |

***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 2012, property taxes continued to decrease from the previous years. Municipal income taxes saw an increase from 2011 as a direct result of the City's income tax department actively pursuing delinquent collections. Grants and entitlements decreased as a result of less local government revenue received from the State. As a result of the economy and lower interest rates, interest revenue saw a decrease from 2011 levels. Franchise taxes remained fairly consistent with 2011 levels.

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**  
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*Unaudited*

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

|                                  | 2012                     |                        | 2011                     |                        |
|----------------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                                  | Total Cost<br>of Service | Net Cost<br>of Service | Total Cost<br>of Service | Net Cost<br>of Service |
| General Government               | \$3,700,502              | (\$3,254,801)          | \$4,614,629              | (\$3,826,573)          |
| Security of Persons and Property | 5,445,966                | (4,558,115)            | 6,587,675                | (5,081,814)            |
| Public Health Services           | 168,937                  | (148,537)              | 175,749                  | (141,364)              |
| Transportation                   | 1,692,219                | (410,546)              | 1,719,656                | (272,735)              |
| Community Environment            | 229,724                  | (197,995)              | 309,974                  | (181,753)              |
| Basic Utility Services           | 827,038                  | (836,662)              | 2,152,737                | (1,606,410)            |
| Leisure Time Activities          | 1,636,116                | (569,767)              | 1,185,163                | (858,328)              |
| Interest and Fiscal Charges      | 550,807                  | (550,807)              | 929,715                  | (929,715)              |
| <b>Total</b>                     | <b>\$14,251,309</b>      | <b>(\$10,527,230)</b>  | <b>\$17,675,298</b>      | <b>(\$12,898,692)</b>  |

A review of the above table shows that program expenses decreased from 2011 levels. This is largely due to the City limiting the overtime worked in the police and fire departments, as well as the City transferring refuse collection and billing to Republic Services. Also, a number of employees retired at the end of 2011 and were not replaced. In order to continue to keep costs down, the City is closely monitoring its expenses and keeping a tight budget.

Expenses decreased by \$3,423,989 compared to 2011. Security of persons and property, transportation, community environment and basic utility services decreased mainly due to cost-cutting measures implemented by the City. Security of persons and property, including police and fire departments, is the largest area of expenses and accounts for program expenses of \$5,445,966, which is 38 percent of total expenses. Basic Utilities also decreased as a result of the City transferring refuse collection to Republic Services. The City did this in order to lower the City's refuse collection costs and also residents' monthly billings.

***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. In 2012, charges for services continued to be the major revenue source for business-type activities. Revenues continue to increase as a result of a sewer rate increase, which was approved in August 2011.

***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 on page 66 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, with revenues decreasing very slightly from the previous year, and expenditures decreasing from the previous year. The decrease in expenditures is due to continued cost-cutting measured

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implemented by the City. There were also a number of employees that retired at the end of 2011 and were not replaced in 2012. The general bond retirement saw a small decrease in fund balance as a result of the City making long term debt payments. The road improvement capital projects fund had an increase in fund balance as a result of decreased 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 2012, 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 closely with regard to revenues and related expenditures. There was an increase in revenues from the final budget to actual due to an increase in 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 2012 balances of capital assets as compared to 2011.

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

|                             | Governmental<br>Activities |                     | Business-Type<br>Activities |                    | Total               |                     |
|-----------------------------|----------------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|
|                             | 2012                       | 2011                | 2012                        | 2011               | 2012                | 2011                |
| Land                        | \$7,044,735                | \$7,044,735         | \$75,556                    | \$75,556           | \$7,120,291         | \$7,120,291         |
| Construction in Progress    | 0                          | 0                   | 0                           | 828,085            | 0                   | 828,085             |
| Land Improvements           | 13,928,553                 | 14,281,246          | 0                           | 0                  | 13,928,553          | 14,281,246          |
| Buildings and Improvements  | 3,860,397                  | 3,985,353           | 1,975,334                   | 1,322,605          | 5,835,731           | 5,307,958           |
| Machinery and Equipment     | 1,164,847                  | 1,051,473           | 536,189                     | 524,897            | 1,701,036           | 1,576,370           |
| Vehicles                    | 2,020,823                  | 2,055,967           | 106,015                     | 121,156            | 2,126,838           | 2,177,123           |
| Infrastructure              | 8,460,375                  | 8,854,231           | 2,056,331                   | 1,914,984          | 10,516,706          | 10,769,215          |
| <b>Total Capital Assets</b> | <b>\$36,479,730</b>        | <b>\$37,273,005</b> | <b>\$4,749,425</b>          | <b>\$4,787,283</b> | <b>\$41,229,155</b> | <b>\$42,060,288</b> |

For 2012, the primary additions for governmental activities included the completion of rehabilitation improvements to East 347<sup>th</sup> and East 348<sup>th</sup> Streets as well as the completion of major improvements to the South Lakeshore Boulevard. Along with the Ohio Department of Transportation and Ohio Public Works Commission, the City was able to complete slope failure improvements to Lakeshore Boulevard. The City also purchased three police vehicles, a dump truck for snow and ice removal and a new radio system for the fire department. The City disposed of a number of police vehicles during 2012.

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*Management's Discussion and Analysis*  
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*Unaudited*

The primary additions for the business-type activities included continued improvements to sewer lines and the Quentin Road pump station. There were no disposals for business-type activities in 2012. Additional information concerning the City's capital assets can be found in Note 10 to the basic financial statements.

**Debt**

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2012.

**Table 5**  
 Outstanding Long-Term Obligations at Year End

|                                 | Governmental<br>Activities |                     | Business-Type<br>Activity |                  | Total               |                     |
|---------------------------------|----------------------------|---------------------|---------------------------|------------------|---------------------|---------------------|
|                                 | 2012                       | 2011                | 2012                      | 2011             | 2012                | 2011                |
| General Obligation Bonds        | \$14,645,000               | \$15,535,000        | \$0                       | \$0              | \$14,645,000        | \$15,535,000        |
| OPWC Loans                      | 324,037                    | 315,517             | 142,792                   | 45,000           | 466,829             | 360,517             |
| ODOT Payable                    | 98,854                     | 131,805             | 0                         | 0                | 98,854              | 131,805             |
| Capital Leases                  | 16,959                     | 29,840              | 179,754                   | 236,672          | 196,713             | 266,512             |
| Compensated Absences            | 1,278,931                  | 1,456,330           | 54,278                    | 51,745           | 1,333,209           | 1,508,075           |
| Workers' Compensation Liability | 85,520                     | 37,728              | 0                         | 0                | 85,520              | 37,728              |
| <b>Total</b>                    | <b>\$16,449,301</b>        | <b>\$17,506,220</b> | <b>\$376,824</b>          | <b>\$333,417</b> | <b>\$16,826,125</b> | <b>\$17,839,637</b> |

At December 31, 2012, the general obligation bonds outstanding consist of the 2004 Capital Facilities, 2004 Various Purpose Bonds, the 2005 City Hall Refunding Bonds and 2011 Various Purpose Refunding Bonds. During 2012, the City was able to pay down the 2002 Tax Exempt Capital Facilities Bonds as well as make annual principal payments on the Capital Facilities Bonds and the Various Purpose Refunding Bonds. 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 15 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, 2012

|  | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|--|----------------------------|-----------------------------|---------------------|
| <b>Assets</b>                              |                            |                             |                     |
| Equity in Pooled Cash and Cash Equivalents | \$3,807,519                | \$1,590,307                 | \$5,397,826         |
| Accounts Receivable                        | 356,392                    | 936,820                     | 1,293,212           |
| Accrued Interest Receivable                | 0                          | 2,088                       | 2,088               |
| Intergovernmental Receivable               | 1,195,511                  | 0                           | 1,195,511           |
| Municipal Income Taxes Receivable          | 1,663,911                  | 0                           | 1,663,911           |
| Permissive Motor Vehicle Taxes Receivable  | 10,382                     | 0                           | 10,382              |
| Prepaid Items                              | 91,879                     | 0                           | 91,879              |
| Materials and Supplies Inventory           | 373,555                    | 11,729                      | 385,284             |
| Property Taxes Receivable                  | 2,624,849                  | 0                           | 2,624,849           |
| Special Assessments Receivable             | 0                          | 195,375                     | 195,375             |
| Assets Held for Resale                     | 116,970                    | 0                           | 116,970             |
| Nondepreciable Capital Assets              | 7,044,735                  | 75,556                      | 7,120,291           |
| Depreciable Capital Assets, Net            | 29,434,995                 | 4,673,869                   | 34,108,864          |
| <i>Total Assets</i>                        | <u>46,720,698</u>          | <u>7,485,744</u>            | <u>54,206,442</u>   |
| <b>Deferred Outflows of Resources</b>      |                            |                             |                     |
| Deferred Amount on Refunding               | 331,646                    | 0                           | 331,646             |
| <b>Liabilities</b>                         |                            |                             |                     |
| Accounts Payable                           | 95,531                     | 337                         | 95,868              |
| Accrued Wages                              | 269,892                    | 14,144                      | 284,036             |
| Matured Compensated Absences Payable       | 164,840                    | 0                           | 164,840             |
| Intergovernmental Payable                  | 440,114                    | 26,069                      | 466,183             |
| Accrued Interest Payable                   | 135,578                    | 0                           | 135,578             |
| Long-Term Liabilities:                     |                            |                             |                     |
| Due Within One Year                        | 1,268,408                  | 81,000                      | 1,349,408           |
| Due In More Than One Year                  | 15,180,893                 | 295,824                     | 15,476,717          |
| <i>Total Liabilities</i>                   | <u>17,555,256</u>          | <u>417,374</u>              | <u>17,972,630</u>   |
| <b>Deferred Inflows of Resources</b>       |                            |                             |                     |
| Property Taxes                             | 2,479,603                  | 0                           | 2,479,603           |
| <b>Net Position</b>                        |                            |                             |                     |
| Net Investment in Capital Assets           | 21,838,866                 | 4,426,879                   | 26,265,745          |
| Restricted for:                            |                            |                             |                     |
| Capital Projects                           | 2,001,020                  | 0                           | 2,001,020           |
| State Highway                              | 118,320                    | 0                           | 118,320             |
| Street Maintenance                         | 543,905                    | 0                           | 543,905             |
| Permissive Motor Vehicle Tax               | 96,469                     | 0                           | 96,469              |
| Public Safety Grants                       | 268,765                    | 0                           | 268,765             |
| Recreation and Land Acquisition            | 201,173                    | 0                           | 201,173             |
| Other Purposes                             | 232,054                    | 0                           | 232,054             |
| Unrestricted                               | 1,716,913                  | 2,641,491                   | 4,358,404           |
| <i>Total Net Position</i>                  | <u>\$27,017,485</u>        | <u>\$7,068,370</u>          | <u>\$34,085,855</u> |

See Accompanying Notes to the Basic Financial Statements

**City of Eastlake, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2012

|                                       | Program Revenues    |                         |  |                                   |
|---------------------------------------|---------------------|-------------------------|--|-----------------------------------|
|                                       | Expenses            | Charges<br>for Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Interest |
| <b>Governmental Activities:</b>       |                     |                         |  |                                   |
| Current:                              |                     |                         |  |                                   |
| General Government                    | \$3,700,502         | \$562,572               | \$0                                      | \$0                               |
| Security of Persons and Property      | 5,445,966           | 557,890                 | 277,323                                  | 52,638                            |
| Public Health Services                | 168,937             | 20,400                  | 0  | 0                                 |
| Transportation                        | 1,692,219           | 153,630                 | 834,703                                  | 670,606                           |
| Community Environment                 | 229,724             | 31,729                  | 0  | 0                                 |
| Basic Utility Services                | 827,038             | 449,069                 | 0  | 0                                 |
| Leisure Time Activities               | 1,636,116           | 116,926                 | 113,464                                  | 0                                 |
| Interest and Fiscal Charges           | 550,807             | 0                       | 0  | 0                                 |
| <i>Total Governmental Activities</i>  | <u>14,251,309</u>   | <u>1,892,216</u>        | <u>1,225,490</u>                         | <u>723,244</u>                    |
| <b>Business-Type Activities:</b>      |                     |                         |  |                                   |
| Sanitary Sewer                        | 1,865,679           | 2,795,551               | 0  | 0                                 |
| Storm Water                           | 6,202               | 39,712                  | 0  | 0                                 |
| <i>Total Business-Type Activities</i> | <u>1,871,881</u>    | <u>2,835,263</u>        | <u>0</u>                                 | <u>0</u>                          |
| <i>Total</i>                          | <u>\$16,123,190</u> | <u>\$4,727,479</u>      | <u>\$1,225,490</u>                       | <u>\$723,244</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 Taxes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Interest

Unrestricted Contributions

Other

*Total General Revenues*

Change in Net Position

*Net Position Beginning of Year -  
Restated (See Note 3)*

*Net Position End of Year*

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

| Governmental<br>Activities | Business-Type<br>Activities | Total               |
|----------------------------|-----------------------------|---------------------|
| (\$3,137,930)              | \$0                         | (\$3,137,930)       |
| (4,558,115)                | 0                           | (4,558,115)         |
| (148,537)                  | 0                           | (148,537)           |
| (33,280)                   | 0                           | (33,280)            |
| (197,995)                  | 0                           | (197,995)           |
| (377,969)                  | 0                           | (377,969)           |
| (1,405,726)                | 0                           | (1,405,726)         |
| (550,807)                  | 0                           | (550,807)           |
| <u>(10,410,359)</u>        | <u>0</u>                    | <u>(10,410,359)</u> |
| 0                          | 929,872                     | 929,872             |
| <u>0</u>                   | <u>33,510</u>               | <u>33,510</u>       |
| 0                          | 963,382                     | 963,382             |
| <u>(10,410,359)</u>        | <u>963,382</u>              | <u>(9,446,977)</u>  |
| 1,162,547                  | 0                           | 1,162,547           |
| 169,610                    | 0                           | 169,610             |
| 121,151                    | 0                           | 121,151             |
| 121,151                    | 0                           | 121,151             |
| 136,252                    | 0                           | 136,252             |
| 717,050                    | 0                           | 717,050             |
| 6,676,922                  | 0                           | 6,676,922           |
| 60,428                     | 0                           | 60,428              |
| 137,765                    | 0                           | 137,765             |
| 1,420,618                  | 0                           | 1,420,618           |
| 285,961                    | 0                           | 285,961             |
| 3,553                      | 0                           | 3,553               |
| 20,553                     | 0                           | 20,553              |
| 39,704                     | 0                           | 39,704              |
| <u>11,073,265</u>          | <u>0</u>                    | <u>11,073,265</u>   |
| 662,906                    | 963,382                     | 1,626,288           |
| <u>26,354,579</u>          | <u>6,104,988</u>            | <u>32,459,567</u>   |
| <u>\$27,017,485</u>        | <u>\$7,068,370</u>          | <u>\$34,085,855</u> |

**City of Eastlake, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2012*

|   | General            | General Bond<br>Retirement | Road<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|----------------------------|---------------------|--------------------------------|--------------------------------|
| <b>Assets</b>   |                    |                            |                     |                                |                                |
| Equity in Pooled Cash and<br>Cash Equivalents                                 | \$1,007,998        | \$1,310                    | \$984,639           | \$1,801,907                    | \$3,795,854                    |
| Accounts Receivable   | 356,337            | 0                          | 0                   | 55                             | 356,392                        |
| Intergovernmental Receivable  | 669,555            | 10,742                     | 38,208              | 477,006                        | 1,195,511                      |
| Municipal Income Taxes Receivable   | 1,663,911          | 0                          | 0                   | 0                              | 1,663,911                      |
| Permissive Motor Vehicle  |                    |                            |                     |                                |                                |
| Taxes Receivable  | 0                  | 0                          | 0                   | 10,382                         | 10,382                         |
| Prepaid Items   | 76,920             | 0                          | 0                   | 14,959                         | 91,879                         |
| Materials and Supplies Inventory  | 192,317            | 0                          | 112,300             | 68,938                         | 373,555                        |
| Property Taxes Receivable   | 1,230,798          | 175,035                    | 815,396             | 403,620                        | 2,624,849                      |
| Assets Held for Resale  | 116,970            | 0                          | 0                   | 0                              | 116,970                        |
| Restricted Assets:  |                    |                            |                     |                                |                                |
| Equity in Pooled Cash and<br>Cash Equivalents                                 | 11,665             | 0                          | 0                   | 0                              | 11,665                         |
| <i>Total Assets</i>   | <u>\$5,326,471</u> | <u>\$187,087</u>           | <u>\$1,950,543</u>  | <u>\$2,776,867</u>             | <u>\$10,240,968</u>            |
| <b>Liabilities</b>  |                    |                            |                     |                                |                                |
| Accounts Payable  | \$64,966           | \$0                        | \$5,000             | \$25,565                       | \$95,531                       |
| Accrued Wages   | 257,178            | 0                          | 0                   | 12,714                         | 269,892                        |
| Matured Compensated Absences Payable  | 155,733            | 0                          | 0                   | 9,107                          | 164,840                        |
| Intergovernmental Payable   | 411,433            | 0                          | 5,100               | 23,581                         | 440,114                        |
| <i>Total Liabilities</i>  | <u>889,310</u>     | <u>0</u>                   | <u>10,100</u>       | <u>70,967</u>                  | <u>970,377</u>                 |
| <b>Deferred Inflows of Resources</b>  |                    |                            |                     |                                |                                |
| Property Taxes  | 1,163,257          | 165,034                    | 770,362             | 380,950                        | 2,479,603                      |
| Unavailable Revenue   | 1,661,825          | 20,743                     | 83,242              | 363,080                        | 2,128,890                      |
| <i>Total Deferred Inflows of Resources</i>                                    | <u>2,825,082</u>   | <u>185,777</u>             | <u>853,604</u>      | <u>744,030</u>                 | <u>4,608,493</u>               |
| <b>Fund Balances</b>  |                    |                            |                     |                                |                                |
| Nonspendable  | 397,872            | 0                          | 112,300             | 83,897                         | 594,069                        |
| Restricted  | 0                  | 1,310                      | 974,539             | 1,877,973                      | 2,853,822                      |
| Assigned  | 85,741             | 0                          | 0                   | 0                              | 85,741                         |
| Unassigned  | 1,128,466          | 0                          | 0                   | 0                              | 1,128,466                      |
| <i>Total Fund Balances</i>  | <u>1,612,079</u>   | <u>1,310</u>               | <u>1,086,839</u>    | <u>1,961,870</u>               | <u>4,662,098</u>               |
| <i>Total Liabilities, Deferred Inflows of<br/>Resources and Fund Balances</i> | <u>\$5,326,471</u> | <u>\$187,087</u>           | <u>\$1,950,543</u>  | <u>\$2,776,867</u>             | <u>\$10,240,968</u>            |

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, 2012*

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|  |                    |
|--|--------------------|
| <b>Total Governmental Funds Balances</b> | <b>\$4,662,098</b> |
|--|--------------------|

*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. | 36,479,730 |
|---|------------|

|   |           |
|---|-----------|
| Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds: |           |
| Delinquent Property Taxes   | 145,246   |
| Intergovernmental   | 820,989   |
| Municipal Income Taxes  | 942,674   |
| Charges for Services  | 219,981   |
| Total   | 2,128,890 |

|  |           |
|--|-----------|
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (135,578) |
|--|-----------|

|   |         |
|---|---------|
| Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds. | 331,646 |
|---|---------|

|  |              |
|--|--------------|
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: |              |
| General Obligation Bonds   | (14,645,000) |
| OPWC Loans Payable   | (324,037)    |
| Capital Leases Payable   | (16,959)     |
| ODOT Payable   | (98,854)     |
| Claims Payable   | (85,520)     |
| Compensated Absences Payable   | (1,278,931)  |
| Total  | (16,449,301) |

|  |                            |
|--|----------------------------|
| <i>Net Position of Governmental Activities</i> | <u><u>\$27,017,485</u></u> |
|--|----------------------------|

See Accompanying Notes to the Basic Financial Statements

**City of Eastlake, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

|   | General            | General Bond<br>Retirement | Road<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|----------------------------|---------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                    |                            |                     |                                |                                |
| Property Taxes  | \$1,275,834        | \$186,322                  | \$789,735           | \$414,828                      | \$2,666,719                    |
| Municipal Income Taxes                                  | 6,866,149          | 0                          | 0                   | 0                              | 6,866,149                      |
| Hotel Taxes   | 0                  | 0                          | 0                   | 254,636                        | 254,636                        |
| Permissive Motor Vehicle Taxes                          | 0                  | 0                          | 0                   | 60,428                         | 60,428                         |
| Intergovernmental                                       | 1,626,358          | 38,131                     | 277,658             | 1,253,500                      | 3,195,647                      |
| Charges for Services                                    | 863,748            | 0                          | 0                   | 0                              | 863,748                        |
| Fees, Licenses and Permits                              | 481,563            | 0                          | 0                   | 253,415                        | 734,978                        |
| Franchise Taxes   | 285,961            | 0                          | 0                   | 0                              | 285,961                        |
| Fines and Forfeitures                                   | 145,628            | 0                          | 0                   | 12,397                         | 158,025                        |
| Interest  | 2,092              | 1,361                      | 0                   | 100                            | 3,553                          |
| Rentals   | 0                  | 0                          | 0                   | 289,975                        | 289,975                        |
| Contributions and Donations                             | 20,553             | 0                          | 0                   | 11,928                         | 32,481                         |
| Other   | 30,858             | 0                          | 0                   | 8,846                          | 39,704                         |
| <i>Total Revenues</i>                                   | <u>11,598,744</u>  | <u>225,814</u>             | <u>1,067,393</u>    | <u>2,560,053</u>               | <u>15,452,004</u>              |
| <b>Expenditures</b>                                     |                    |                            |                     |                                |                                |
| Current:  |                    |                            |                     |                                |                                |
| General Government                                      | 4,139,337          | 2,682                      | 0                   | 0                              | 4,142,019                      |
| Security of Persons and Property                        | 4,703,372          | 0                          | 0                   | 663,776                        | 5,367,148                      |
| Public Health Services                                  | 168,937            | 0                          | 0                   | 0                              | 168,937                        |
| Transportation  | 131,182            | 0                          | 177,707             | 846,943                        | 1,155,832                      |
| Community Environment                                   | 230,267            | 0                          | 0                   | 0                              | 230,267                        |
| Basic Utility Services                                  | 293,837            | 0                          | 0                   | 30,838                         | 324,675                        |
| Leisure Time Activities                                 | 564,987            | 0                          | 0                   | 91,926                         | 656,913                        |
| Capital Outlay  | 0                  | 0                          | 469,896             | 150,399                        | 620,295                        |
| Debt Service:   |                    |                            |                     |                                |                                |
| Principal Retirement                                    | 12,881             | 890,000                    | 29,126              | 0                              | 932,007                        |
| Interest and Fiscal Charges                             | 1,135              | 538,395                    | 0                   | 0                              | 539,530                        |
| <i>Total Expenditures</i>                               | <u>10,245,935</u>  | <u>1,431,077</u>           | <u>676,729</u>      | <u>1,783,882</u>               | <u>14,137,623</u>              |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | <u>1,352,809</u>   | <u>(1,205,263)</u>         | <u>390,664</u>      | <u>776,171</u>                 | <u>1,314,381</u>               |
| <b>Other Financing Sources (Uses)</b>                   |                    |                            |                     |                                |                                |
| OPWC Loans Issued                                       | 0                  | 0                          | 37,646              | 0                              | 37,646                         |
| Transfers In  | 0                  | 1,203,500                  | 0                   | 14,400                         | 1,217,900                      |
| Transfers Out   | (631,400)          | 0                          | 0                   | (586,500)                      | (1,217,900)                    |
| <i>Total Other Financing Sources (Uses)</i>             | <u>(631,400)</u>   | <u>1,203,500</u>           | <u>37,646</u>       | <u>(572,100)</u>               | <u>37,646</u>                  |
| <i>Net Change in Fund Balances</i>                      | 721,409            | (1,763)                    | 428,310             | 204,071                        | 1,352,027                      |
| <i>Fund Balances Beginning of Year</i>                  | <u>890,670</u>     | <u>3,073</u>               | <u>658,529</u>      | <u>1,757,799</u>               | <u>3,310,071</u>               |
| <i>Fund Balances End of Year</i>                        | <u>\$1,612,079</u> | <u>\$1,310</u>             | <u>\$1,086,839</u>  | <u>\$1,961,870</u>             | <u>\$4,662,098</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, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,352,027

*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 Asset Additions: |             |           |
| Capital Outlays          | 682,802     |           |
| Capital Contribution     | 403,699     |           |
| Depreciation             | (1,863,294) |           |
| Total                    |             | (776,793) |

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. (16,482)

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

|                        |           |           |
|------------------------|-----------|-----------|
| Property Taxes         | (238,958) |           |
| Municipal Income Taxes | (189,227) |           |
| Intergovernmental      | (241,922) |           |
| Charges for Services   | (271,381) |           |
| Total                  |           | (941,488) |

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 | 890,000 |         |
| OPWC Loans Payable       | 29,126  |         |
| Capital Leases Payable   | 12,881  |         |
| Total                    |         | 932,007 |

OPWC loans issued in the governmental funds increase long-term liabilities in the statement of net position. (37,646)

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                | 2,910    |          |
| Amortization of Accounting Loss | (14,187) |          |
| Total                           |          | (11,277) |

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 | 177,399  |         |
| Claims               | (47,792) |         |
| Total                |          | 162,558 |

*Change in Net Position of Governmental Activities* \$662,906

See Accompanying Notes to the Basic Financial Statements

**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, 2012*

|   | <u>Budgeted Amounts</u> |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|-------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>     |   |
| <b>Revenues</b>                             |                         |                   |                   |   |
| Property Taxes                              | \$1,399,633             | \$1,399,633       | \$1,275,834       | (\$123,799)   |
| Municipal Income Taxes                      | 6,716,257               | 6,716,257         | 6,890,436         | 174,179   |
| Intergovernmental                           | 1,608,155               | 1,608,155         | 1,767,111         | 158,956   |
| Charges for Services                        | 985,593                 | 985,593           | 1,061,238         | 75,645  |
| Fees, Licenses and Permits                  | 466,049                 | 466,049           | 485,435           | 19,386  |
| Franchise Taxes                             | 257,555                 | 257,555           | 283,491           | 25,936  |
| Fines and Forfeitures                       | 181,050                 | 181,050           | 145,263           | (35,787)  |
| Interest                                    | 1,775                   | 1,775             | 2,092             | 317   |
| Contributions and Donations                 | 26,854                  | 26,854            | 20,553            | (6,301)   |
| Other                                       | 33,231                  | 33,231            | 30,158            | (3,073)   |
| <i>Total Revenues</i>                       | <u>11,676,152</u>       | <u>11,676,152</u> | <u>11,961,611</u> | <u>285,459</u>  |
| <b>Expenditures</b>                         |                         |                   |                   |   |
| Current:                                    |                         |                   |                   |   |
| General Government                          | 4,343,771               | 4,341,369         | 4,090,539         | 250,830   |
| Security of Persons and Property            | 5,089,124               | 5,105,524         | 4,978,862         | 126,662   |
| Public Health Services                      | 174,109                 | 168,937           | 168,937           | 0   |
| Transportation                              | 160,542                 | 160,542           | 141,016           | 19,526  |
| Community Environment                       | 276,126                 | 276,126           | 244,081           | 32,045  |
| Basic Utility Services                      | 322,000                 | 313,174           | 302,574           | 10,600  |
| Leisure Time Activities                     | 703,478                 | 703,478           | 617,104           | 86,374  |
| <i>Total Expenditures</i>                   | <u>11,069,150</u>       | <u>11,069,150</u> | <u>10,543,113</u> | <u>526,037</u>  |
| <i>Excess of Revenues Over Expenditures</i> | 607,002                 | 607,002           | 1,418,498         | 811,496   |
| <b>Other Financing Uses</b>                 |                         |                   |                   |   |
| Transfers Out                               | (631,400)               | (631,400)         | (631,400)         | 0   |
| <i>Net Change in Fund Balance</i>           | (24,398)                | (24,398)          | 787,098           | 811,496   |
| <i>Fund Balance Beginning of Year</i>       | 15,771                  | 15,771            | 15,771            | 0   |
| Prior Year Encumbrances Appropriated        | 93,109                  | 93,109            | 93,109            | 0   |
| <i>Fund Balance End of Year</i>             | <u>\$84,482</u>         | <u>\$84,482</u>   | <u>\$895,978</u>  | <u>\$811,496</u>  |

See Accompanying Notes to the Basic Financial Statements

**City of Eastlake, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2012*

|   | <u>Sanitary Sewer</u> | <u>Storm Water</u> | <u>Total</u>       |
|---|-----------------------|--------------------|--------------------|
| <b>Assets</b>   |                       |                    |                    |
| <i>Current Assets</i>                                 |                       |                    |                    |
| Equity in Pooled Cash and Cash Equivalents            | \$1,509,021           | \$81,286           | \$1,590,307        |
| Accounts Receivable                                   | 927,760               | 9,060              | 936,820            |
| Accrued Interest Receivable                           | 2,088                 | 0                  | 2,088              |
| Special Assessments Receivable                        | 3,038                 | 0                  | 3,038              |
| Materials and Supplies Inventory                      | 11,729                | 0                  | 11,729             |
| <i>Total Current Assets</i>                           | <u>2,453,636</u>      | <u>90,346</u>      | <u>2,543,982</u>   |
| <i>Noncurrent Assets</i>                              |                       |                    |                    |
| Special Assessments Receivable                        | 192,337               | 0                  | 192,337            |
| Nondepreciable Capital Assets                         | 75,556                | 0                  | 75,556             |
| Depreciable Capital Assets, Net                       | 4,673,869             | 0                  | 4,673,869          |
| <i>Total Noncurrent Assets</i>                        | <u>4,941,762</u>      | <u>0</u>           | <u>4,941,762</u>   |
| <i>Total Assets</i>                                   | <u>7,395,398</u>      | <u>90,346</u>      | <u>7,485,744</u>   |
| <b>Liabilities</b>                                    |                       |                    |                    |
| <i>Current Liabilities</i>                            |                       |                    |                    |
| Accounts Payable                                      | 337                   | 0                  | 337                |
| Accrued Wages   | 14,144                | 0                  | 14,144             |
| Intergovernmental Payable                             | 26,069                | 0                  | 26,069             |
| Compensated Absences Payable                          | 15,092                | 0                  | 15,092             |
| Capital Leases Payable                                | 58,393                | 0                  | 58,393             |
| OPWC Loan Payable                                     | 7,515                 | 0                  | 7,515              |
| <i>Total Current Liabilities</i>                      | <u>121,550</u>        | <u>0</u>           | <u>121,550</u>     |
| <i>Long-Term Liabilities (Net of Current Portion)</i> |                       |                    |                    |
| Compensated Absences Payable                          | 39,186                | 0                  | 39,186             |
| Capital Leases Payable                                | 121,361               | 0                  | 121,361            |
| OPWC Loan Payable                                     | 135,277               | 0                  | 135,277            |
| <i>Total Long-Term Liabilities</i>                    | <u>295,824</u>        | <u>0</u>           | <u>295,824</u>     |
| <i>Total Liabilities</i>                              | <u>417,374</u>        | <u>0</u>           | <u>417,374</u>     |
| <b>Net Position</b>                                   |                       |                    |                    |
| Net Investment in Capital Assets                      | 4,426,879             | 0                  | 4,426,879          |
| Unrestricted  | 2,551,145             | 90,346             | 2,641,491          |
| <i>Total Net Position</i>                             | <u>\$6,978,024</u>    | <u>\$90,346</u>    | <u>\$7,068,370</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, 2012*

|                                       | <u>Sanitary Sewer</u>     | <u>Storm Water</u>     | <u>Total</u>              |
|---------------------------------------|---------------------------|------------------------|---------------------------|
| <b>Operating Revenue</b>              |                           |                        |                           |
| Charges for Services                  | \$2,765,131               | \$39,712               | \$2,804,843               |
| Tap-In Fees                           | <u>30,420</u>             | <u>0</u>               | <u>30,420</u>             |
| <i>Total Operating Revenues</i>       | <u>2,795,551</u>          | <u>39,712</u>          | <u>2,835,263</u>          |
| <b>Operating Expenses</b>             |                           |                        |                           |
| Personal Services                     | 393,083                   | 0                      | 393,083                   |
| Materials and Supplies                | 1,229,318                 | 0                      | 1,229,318                 |
| Contractual Services                  | 90,744                    | 6,202                  | 96,946                    |
| Depreciation                          | 151,798                   | 0                      | 151,798                   |
| Other                                 | <u>736</u>                | <u>0</u>               | <u>736</u>                |
| <i>Total Operating Expenses</i>       | <u>1,865,679</u>          | <u>6,202</u>           | <u>1,871,881</u>          |
| <i>Change in Net Position</i>         | 929,872                   | 33,510                 | 963,382                   |
| <i>Net Position Beginning of Year</i> | <u>6,048,152</u>          | <u>56,836</u>          | <u>6,104,988</u>          |
| <i>Net Position End of Year</i>       | <u><u>\$6,978,024</u></u> | <u><u>\$90,346</u></u> | <u><u>\$7,068,370</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, 2012

|  | <u>Sanitary Sewer</u> | <u>Storm Water</u> | <u>Total</u>       |
|--|-----------------------|--------------------|--------------------|
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                                |                       |                    |                    |
| <b>Cash Flows from Operating Activities</b>  |                       |                    |                    |
| Cash Received from Customers   | \$2,739,199           | \$38,933           | \$2,778,132        |
| Cash Payments to Suppliers for Goods and Services                                      | (1,324,910)           | (6,202)            | (1,331,112)        |
| Cash Payments for Employee Services and Benefits                                       | (380,476)             | 0                  | (380,476)          |
| Cash Payments for Other Operating Expenses   | (736)                 | 0                  | (736)              |
| <i>Net Cash Provided by Operating Activities</i>                                       | <u>1,033,077</u>      | <u>32,731</u>      | <u>1,065,808</u>   |
| <b>Cash Flows from Capital and Related Financing Activities</b>                        |                       |                    |                    |
| Acquisition of Capital Assets  | (113,940)             | 0                  | (113,940)          |
| OPWC Loans Issued  | 100,292               | 0                  | 100,292            |
| Principal Paid on OPWC Loan  | (2,500)               | 0                  | (2,500)            |
| Principal Paid on Capital Lease  | (56,918)              | 0                  | (56,918)           |
| <i>Net Cash Used for Capital and Related Financing Activities</i>                      | <u>(73,066)</u>       | <u>0</u>           | <u>(73,066)</u>    |
| Net Increase in Cash and Cash Equivalents  | 960,011               | 32,731             | 992,742            |
| <i>Cash and Cash Equivalents Beginning of Year</i>                                     | <u>549,010</u>        | <u>48,555</u>      | <u>597,565</u>     |
| <i>Cash and Cash Equivalents End of Year</i>   | <u>\$1,509,021</u>    | <u>\$81,286</u>    | <u>\$1,590,307</u> |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b> |                       |                    |                    |
| Operating Income   | \$929,872             | \$33,510           | \$963,382          |
| Adjustments:   |                       |                    |                    |
| Depreciation   | 151,798               | 0                  | 151,798            |
| (Increase)/Decrease in Assets:   |                       |                    |                    |
| Accounts Receivable  | (80,189)              | (779)              | (80,968)           |
| Special Assessments Receivable   | 23,837                | 0                  | 23,837             |
| Materials and Supplies Inventory   | (2,160)               | 0                  | (2,160)            |
| Increase/(Decrease) in Liabilities:  |                       |                    |                    |
| Accounts Payable   | (2,531)               | 0                  | (2,531)            |
| Accrued Wages  | 3,296                 | 0                  | 3,296              |
| Matured Compensated Absences Payable   | (4,509)               | 0                  | (4,509)            |
| Compensated Absences Payable   | 2,533                 | 0                  | 2,533              |
| Intergovernmental Payable  | 11,130                | 0                  | 11,130             |
| <i>Net Cash Provided by Operating Activities</i>                                       | <u>\$1,033,077</u>    | <u>\$32,731</u>    | <u>\$1,065,808</u> |

See Accompanying Notes to the Basic Financial Statements

**City of Eastlake, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2012*

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|  |                         |
|--|-------------------------|
| <b>Assets</b>                              |                         |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$221,101</u></u> |
| <b>Liabilities</b>                         |                         |
| Deposits Held and Due to Others            | <u><u>\$221,101</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, 2012*

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**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. 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 18, 19 and 20 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, 2012*

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***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 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, 2012*

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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, 2012*

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***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 7). 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, 2012, but which were levied to finance year 2013 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, 2012*

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***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".

The City of Eastlake has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2012. 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 the investment could be sold at December 31, 2012.

Interest earnings are allocated to City funds according to State statutes, City Charter, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2012 was \$2,092, which includes \$1,670 assigned from other City funds.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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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, 2012, 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.

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:

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

| Description                | Governmental<br>Activities<br>Estimated Lives | Business-Type<br>Activities<br>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.

***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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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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, as both are equally binding) 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.

***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 of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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***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.

***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.

***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 – Changes in Accounting Principles and Restatement of Net Position**

***Changes in Accounting Principles***

For fiscal year 2012, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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GASB Statement No. 53,” Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections–2012–an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the City’s financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement resulted in a restatement of unamortized issuance costs.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the City’s financial statements.

***Restatement of Prior Year’s Net Position***

The implementation of GASB Statement No. 65 decreased governmental activities net position at December 31, 2011 by \$537,614 from \$26,892,193 to \$26,354,579.

**Note 4 - 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:

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

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).

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                              | \$721,409 |
| Net Adjustment for Revenue Accruals     | 362,867   |
| Net Adjustment for Expenditure Accruals | (173,493) |
| Encumbrances                            | (123,685) |
| Budget Basis                            | \$787,098 |

**Note 5 – 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              |
|-----------------------------------|--------------------|-------------------------|--------------------|--------------------------|--------------------|
| <b><i>Nonspendable</i></b>        |                    |                         |                    |                          |                    |
| Unclaimed Monies                  | \$11,665           | \$0                     | \$0                | \$0                      | \$11,665           |
| Assets Held for Resale            | 116,970            | 0                       | 0                  | 0                        | 116,970            |
| Prepaid Items                     | 76,920             | 0                       | 0                  | 14,959                   | 91,879             |
| Materials and Supplies Inventory  | 192,317            | 0                       | 112,300            | 68,938                   | 373,555            |
| <b><i>Total Nonspendable</i></b>  | <b>397,872</b>     | <b>0</b>                | <b>112,300</b>     | <b>83,897</b>            | <b>594,069</b>     |
| <b><i>Restricted for</i></b>      |                    |                         |                    |                          |                    |
| Road Improvements                 | 0                  | 0                       | 974,539            | 425,023                  | 1,399,562          |
| Public Safety                     | 0                  | 0                       | 0                  | 720,291                  | 720,291            |
| Senior Citizens                   | 0                  | 0                       | 0                  | 113,769                  | 113,769            |
| Stadium Maintenance               | 0                  | 0                       | 0                  | 405,119                  | 405,119            |
| Recreation Land Acquisition       | 0                  | 0                       | 0                  | 201,173                  | 201,173            |
| Debt Service Payments             | 0                  | 1,310                   | 0                  | 0                        | 1,310              |
| Capital Improvement               | 0                  | 0                       | 0                  | 12,598                   | 12,598             |
| <b><i>Total Restricted</i></b>    | <b>0</b>           | <b>1,310</b>            | <b>974,539</b>     | <b>1,877,973</b>         | <b>2,853,822</b>   |
| <b><i>Assigned to</i></b>         |                    |                         |                    |                          |                    |
| Purchases on order                | 85,741             | 0                       | 0                  | 0                        | 85,741             |
| <b><i>Unassigned</i></b>          | <b>1,128,466</b>   | <b>0</b>                | <b>0</b>           | <b>0</b>                 | <b>1,128,466</b>   |
| <b><i>Total Fund Balances</i></b> | <b>\$1,612,079</b> | <b>\$1,310</b>          | <b>\$1,086,839</b> | <b>\$1,961,870</b>       | <b>\$4,662,098</b> |

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 6 - 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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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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.

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, \$3,448,990 of the City's bank balance of \$4,958,750 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 five percent of the deposits being secured.

### ***Investments***

At December 31, 2012, the City had \$727,416 invested in STAR Ohio with an average maturity of 55.4 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 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, 2012*

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**Note 7 - Receivables**

Receivables at December 31, 2012, 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 \$192,337 in the sanitary sewer enterprise fund. At December 31, 2012, the amount of delinquent special assessments was \$51,753.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes.

2012 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2012 was \$8.30 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2012 property tax receipts were based are as follows:

| <u>Category</u>                  | <u>Assessed Value</u>       |
|----------------------------------|-----------------------------|
| Real Estate                      |                             |
| Residential/Agricultural         | \$310,619,670               |
| Other Real Estate                | 136,409,950                 |
| Public Utility Personal Property | <u>62,843,160</u>           |
| Total Assessed Values            | <u><u>\$509,872,780</u></u> |

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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measurable as of December 31, 2012, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 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:

| <b>Governmental Activities</b>        |                           |
|---------------------------------------|---------------------------|
| Local Government                      | \$534,123                 |
| Gasoline Tax                          | 325,588                   |
| Homestead and Rollback                | 142,068                   |
| Auto Registration                     | 73,420                    |
| Estate Tax                            | 51,228                    |
| Victims of Crimes Act Grant           | 50,756                    |
| City of Willoughby                    | 9,753                     |
| Village of Lakeline                   | 4,456                     |
| State Victim Assistance Academy Grant | 4,119                     |
| Total                                 | <u><u>\$1,195,511</u></u> |

**Note 8 - Interfund Transfers**

During 2012, the general fund transferred \$617,000 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 \$586,500 to the general bond retirement debt service fund as debt payments came due.

**Note 9 - 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**  
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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 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, 2012 to December 31, 2012, 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 10 - Capital Assets**

A summary of changes in capital assets during 2012 follows:

|   | Balance<br>12/31/2011 | Additions          | Deletions         | Balance<br>12/31/2012 |
|---|-----------------------|--------------------|-------------------|-----------------------|
| <b>Governmental Activities</b>                |                       |                    |                   |                       |
| <i>Nondepreciable Capital Assets</i>          |                       |                    |                   |                       |
| Land  | \$7,044,735           | \$0                | \$0               | \$7,044,735           |
| <i>Depreciable Capital Assets</i>             |                       |                    |                   |                       |
| Land Improvements                             | 17,935,165            | 10,800             | 0                 | 17,945,965            |
| Buildings and Improvements                    | 8,746,098             | 32,057             | 0                 | 8,778,155             |
| Machinery and Equipment                       | 3,098,153             | 283,264            | 0                 | 3,381,417             |
| Vehicles                                      | 4,731,809             | 193,180            | (158,664)         | 4,766,325             |
| Infrastructure                                | 23,464,022            | 567,200            | 0                 | 24,031,222            |
| <i>Total Depreciable Capital Assets</i>       | <u>57,975,247</u>     | <u>1,086,501</u>   | <u>(158,664)</u>  | <u>58,903,084</u>     |
| Less Accumulated Depreciation:                |                       |                    |                   |                       |
| Land Improvements                             | (3,653,919)           | (363,493)          | 0                 | (4,017,412)           |
| Buildings and Improvements                    | (4,760,745)           | (157,013)          | 0                 | (4,917,758)           |
| Machinery and Equipment                       | (2,046,680)           | (169,890)          | 0                 | (2,216,570)           |
| Vehicles                                      | (2,675,842)           | (211,842)          | 142,182           | (2,745,502)           |
| Infrastructure                                | (14,609,791)          | (961,056)          | 0                 | (15,570,847)          |
| <i>Total Accumulated Depreciation</i>         | <u>(27,746,977)</u>   | <u>(1,863,294)</u> | <u>142,182</u>    | <u>(29,468,089)</u>   |
| <i>Total Depreciable Capital Assets, Net</i>  | <u>30,228,270</u>     | <u>(776,793)</u>   | <u>(16,482)</u>   | <u>29,434,995</u>     |
| <i>Total Governmental Capital Assets, Net</i> | <u>\$37,273,005</u>   | <u>(\$776,793)</u> | <u>(\$16,482)</u> | <u>\$36,479,730</u>   |

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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|   | Balance<br>12/31/2011 | Additions        | Deletions          | Balance<br>12/31/2012 |
|---|-----------------------|------------------|--------------------|-----------------------|
| <b>Business-Type Activities</b>                           |                       |                  |                    |                       |
| <i>Nondepreciable Capital Assets</i>                      |                       |                  |                    |                       |
| Land  | \$75,556              | \$0              | \$0                | \$75,556              |
| Construction in Progress                                  | 828,085               | 54,506           | (882,591)          | 0                     |
| <i>Total Nondepreciable Capital Assets</i>                | <u>903,641</u>        | <u>54,506</u>    | <u>(882,591)</u>   | <u>75,556</u>         |
| <i>Depreciable Capital Assets</i>                         |                       |                  |                    |                       |
| Buildings and Improvements                                | 2,158,690             | 704,097          | 0                  | 2,862,787             |
| Machinery and Equipment                                   | 599,618               | 41,887           | 0                  | 641,505               |
| Vehicles  | 499,001               | 3,019            | 0                  | 502,020               |
| Infrastructure  |                       |                  |                    |                       |
| Sewers  | 9,360,115             | 193,022          | 0                  | 9,553,137             |
| <i>Total Depreciable Capital Assets</i>                   | <u>12,617,424</u>     | <u>942,025</u>   | <u>0</u>           | <u>13,559,449</u>     |
| Less Accumulated Depreciation:                            |                       |                  |                    |                       |
| Buildings and Improvements                                | (836,085)             | (51,368)         | 0                  | (887,453)             |
| Machinery and Equipment                                   | (74,721)              | (30,595)         | 0                  | (105,316)             |
| Vehicles  | (377,845)             | (18,160)         | 0                  | (396,005)             |
| Infrastructure  |                       |                  |                    |                       |
| Sewers  | (7,445,131)           | (51,675)         | 0                  | (7,496,806)           |
| <i>Total Accumulated Depreciation</i>                     | <u>(8,733,782)</u>    | <u>(151,798)</u> | <u>0</u>           | <u>(8,885,580)</u>    |
| <i>Total Depreciable Capital Assets, Net</i>              | <u>3,883,642</u>      | <u>790,227</u>   | <u>0</u>           | <u>4,673,869</u>      |
| <i>Total Business-Type Activities Capital Assets, Net</i> | <u>\$4,787,283</u>    | <u>\$844,733</u> | <u>(\$882,591)</u> | <u>\$4,749,425</u>    |

Depreciation expense was charged to governmental functions as follows:

|                                  |                    |
|----------------------------------|--------------------|
| General Government               | \$41,651           |
| Security of Persons and Property | 233,040            |
| Transportation                   | 125,097            |
| Community Environment            | 87                 |
| Basic Utility Services           | 502,363            |
| Leisure Time Activities          | 961,056            |
| Total                            | <u>\$1,863,294</u> |

The City received \$403,699 in roads from the Ohio Department of Transportation and Ohio Public Works Commission. The City has recorded this as capital contributions.

**Note 11 - 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, 2012, the City has two homes which are being held for resale.

**Note 12 - 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.

**City of Eastlake, Ohio**  
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During 2012, the City participated in NORMA, an insurance pool for the following types of insurance:

| Type                           | Coverage      |
|--------------------------------|---------------|
| Property                       | \$420,938,623 |
| Inland Marine                  | 7,300,000     |
| 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 2012 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 2012. The minimum premium portion of intergovernmental payable is \$224,663 and the actual claim costs are \$37,728. The maintenance of these benefits is accounted for in the general fund. Claims of \$85,520 have been accrued as a liability at December 31, 2012 based on an estimate provided by CareWorks Consultants. Changes in the claims liability amount in 2011 and 2012 were:

|      | Balance at<br>Beginning<br>of Year | Current<br>Year Claims | Claim<br>Payments | Balance at<br>End of Year |
|------|------------------------------------|------------------------|-------------------|---------------------------|
| 2011 | \$0                                | \$37,728               | \$0               | \$37,728                  |
| 2012 | 37,728                             | 85,520                 | 37,728            | 85,520                    |

**Note 13 - Defined Benefit Pension Plan**

***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 Pension 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 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 Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**City of Eastlake, Ohio**  
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OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, 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, 2012, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011 and 2010 were \$194,692, \$244,364 and \$298,841, respectively. For 2012, 87.47 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed plan for 2012 were \$8,500 made by the City and \$6,072 made by plan members.

***Ohio Police and Fire Pension Fund***

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$236,139 and \$291,558 for the year ended December 31, 2012, \$300,360 and \$345,148 for the year ended December 31, 2011, and \$301,187 and \$341,818 for the year ended December 31, 2010, respectively. For 2012, 85.91 percent for police and 85.68 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

## **Note 14 - Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The 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>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates 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 of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$126,995, \$160,632 and \$170,350, respectively. For 2012, 87.47 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

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Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent 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 contributions 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 (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by visiting [www.op-f.org](http://www.op-f.org) or writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$115,923 and \$107,836 for the year ended December 31, 2012, \$147,450 and \$127,658 for the year ended December 31, 2011, and \$159,452 and \$133,755 for the year ended December 31, 2010. For 2011, 85.91 percent has been contributed for police and 85.68 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

**Note 15 - 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 |
|---|---------------|-----------------------|------------------|
| <b>Governmental Activities</b>                    |               |                       |                  |
| <i>General Obligation Bonds:</i>                  |               |                       |                  |
| Tax Exempt Capital Facilities Bonds - 2002        | 2-5%          | \$4,380,000           | 2027             |
| Capital Facilities Bonds - 2004                   | 3.6-5.75%     | 4,320,000             | 2031             |
| Various Purpose Bonds - 2004                      | 2.5-5%        | 9,890,000             | 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             |
| Eastlake 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             |
| <b>Business-Type Activities</b>                   |               |                       |                  |
| <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, 2012*

Changes in long-term obligations of the City during 2012 were as follows:

|   | Balance<br>12/31/2011 | Increase         | Decrease           | Balance<br>12/31/2012 | Amounts Due<br>in One Year |
|---|-----------------------|------------------|--------------------|-----------------------|----------------------------|
| <b>Governmental Activities</b>                  |                       |                  |                    |                       |                            |
| <b>General Obligation Bonds</b>                 |                       |                  |                    |                       |                            |
| Tax Exempt Capital Facilities Bonds             |                       |                  |                    |                       |                            |
| Serial  | \$145,000             | \$0              | \$145,000          | \$0                   | \$0                        |
| Capital Facilities Bonds                        |                       |                  |                    |                       |                            |
| Serial  | 615,000               | 0                | 110,000            | 505,000               | 115,000                    |
| Term  | 3,215,000             | 0                | 0                  | 3,215,000             | 0                          |
| Total Capital Facilities Bonds                  | 3,830,000             | 0                | 110,000            | 3,720,000             | 115,000                    |
| Various Purpose Bonds - Term                    | 60,000                | 0                | 0                  | 60,000                | 0                          |
| City Hall Construction Refunding Bonds - Serial | 1,505,000             | 0                | 225,000            | 1,280,000             | 235,000                    |
| Tax Exempt Various Purpose Refunding Bonds      |                       |                  |                    |                       |                            |
| Serial  | 8,620,000             | 0                | 410,000            | 8,210,000             | 555,000                    |
| Term  | 1,375,000             | 0                | 0                  | 1,375,000             | 0                          |
| Total Various Purpose Bonds                     | 9,995,000             | 0                | 410,000            | 9,585,000             | 555,000                    |
| <i>Total General Obligation Bonds</i>           | 15,535,000            | 0                | 890,000            | 14,645,000            | 905,000                    |
| <b>OPWC Loans</b>                               |                       |                  |                    |                       |                            |
| North Parkway Road and Sewer                    | 17,500                | 0                | 2,500              | 15,000                | 2,500                      |
| East 377th Street Road Improvement              | 17,267                | 0                | 6,907              | 10,360                | 6,906                      |
| Parkland Drive Road and Sewer                   | 11,208                | 0                | 1,245              | 9,963                 | 1,246                      |
| Stevens Boulevard Road and Sewer                | 22,112                | 0                | 2,457              | 19,655                | 2,457                      |
| East Overlook Road, Storm and Sanitary Sewer    | 15,096                | 0                | 1,313              | 13,783                | 1,313                      |
| Roberts Road Improvements                       | 97,500                | 0                | 7,500              | 90,000                | 7,500                      |
| Plymouth Road and Sewer                         | 40,739                | 0                | 2,909              | 37,830                | 2,910                      |
| Roberts Road Improvements-Phase 2               | 94,095                | 0                | 2,413              | 91,682                | 4,826                      |
| Edison and Mondamin Storm Sewer                 | 0                     | 37,646           | 1,882              | 35,764                | 1,882                      |
| <i>Total OPWC Loans</i>                         | 315,517               | 37,646           | 29,126             | 324,037               | 31,540                     |
| <b>Other Long-Term Obligations</b>              |                       |                  |                    |                       |                            |
| ODOT Payable                                    | 131,805               | 0                | 32,951             | 98,854                | 32,951                     |
| Capital Leases Payable                          | 29,840                | 0                | 12,881             | 16,959                | 13,504                     |
| Compensated Absences Payable                    | 1,456,330             | 290,000          | 467,399            | 1,278,931             | 223,789                    |
| Workers' Compensation Liability                 | 37,728                | 85,520           | 37,728             | 85,520                | 61,624                     |
| <i>Total Other Long-Term Obligations</i>        | 1,655,703             | 375,520          | 550,959            | 1,480,264             | 331,868                    |
| <b>Total Governmental Activities</b>            | <b>\$17,506,220</b>   | <b>\$413,166</b> | <b>\$1,470,085</b> | <b>\$16,449,301</b>   | <b>\$1,268,408</b>         |

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

|  | Balance<br>12/31/2011 | Increase         | Decrease        | Balance<br>12/31/2012 | Amounts Due<br>in One Year |
|--|-----------------------|------------------|-----------------|-----------------------|----------------------------|
| <b>Business-Type Activities</b>          |                       |                  |                 |                       |                            |
| <b>OPWC Loan</b>                         |                       |                  |                 |                       |                            |
| Robin/Forest/King Drive Pump Stations    | \$45,000              | \$0              | \$2,500         | \$42,500              | \$2,500                    |
| Quentin Road Pump Station                | 0                     | 100,292          | 0               | 100,292               | 5,015                      |
| <i>Total OPWC Loans</i>                  | <u>45,000</u>         | <u>100,292</u>   | <u>2,500</u>    | <u>142,792</u>        | <u>7,515</u>               |
| <b>Other Long-Term Obligations</b>       |                       |                  |                 |                       |                            |
| Capital Leases Payable                   | 236,672               | 0                | 56,918          | 179,754               | 58,393                     |
| Compensated Absences Payable             | 51,745                | 16,835           | 14,302          | 54,278                | 15,092                     |
| <i>Total Other Long-Term Obligations</i> | <u>288,417</u>        | <u>16,835</u>    | <u>71,220</u>   | <u>234,032</u>        | <u>73,485</u>              |
| Total Business-Type Activities           | <u>\$333,417</u>      | <u>\$117,127</u> | <u>\$73,720</u> | <u>\$376,824</u>      | <u>\$81,000</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.

The term bonds maturing on August 1, 2022, 2025 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                   | 2004 Capital Facilities Term Bonds |                  |                    |
|------------------------|------------------------------------|------------------|--------------------|
|                        | \$985,000                          | \$625,000        | \$1,605,000        |
| 2017                   | \$145,000                          | \$0              | \$0                |
| 2018                   | 150,000                            | 0                | 0                  |
| 2019                   | 160,000                            | 0                | 0                  |
| 2020                   | 170,000                            | 0                | 0                  |
| 2021                   | 175,000                            | 0                | 0                  |
| 2023                   | 0                                  | 195,000          | 0                  |
| 2024                   | 0                                  | 210,000          | 0                  |
| 2026                   | 0                                  | 0                | 230,000            |
| 2027                   | 0                                  | 0                | 245,000            |
| 2028                   | 0                                  | 0                | 260,000            |
| 2029                   | 0                                  | 0                | 275,000            |
| 2030                   | 0                                  | 0                | 290,000            |
| Total                  | <u>\$800,000</u>                   | <u>\$405,000</u> | <u>\$1,300,000</u> |
| <i>Stated Maturity</i> | <i>8/1/2022</i>                    | <i>8/1/2025</i>  | <i>8/1/2031</i>    |

The remaining principal amount of the term bonds (\$185,000, \$220,000 and \$305,000) will mature at the stated maturity.

**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.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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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, 2012 is \$1,255,000.

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, 2012 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, 2012 is \$6,325,000.

**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 \$38,757,769 with an unvoted debt margin of \$13,264,130 at December 31, 2012.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2012, were as follows:

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

**Governmental Activities**

| Year      | General Obligation Bonds |             |             |             |
|-----------|--------------------------|-------------|-------------|-------------|
|           | Serial                   |             | Term        |             |
|           | Principal                | Interest    | Principal   | Interest    |
| 2013      | \$905,000                | \$521,548   | \$0         | \$3,000     |
| 2014      | 935,000                  | 495,647     | 0           | 3,000       |
| 2015      | 970,000                  | 468,398     | 0           | 3,000       |
| 2016      | 995,000                  | 439,475     | 0           | 3,000       |
| 2017      | 880,000                  | 227,895     | 145,000     | 184,462     |
| 2018-2022 | 2,525,000                | 0           | 1,515,000   | 932,206     |
| 2023-2027 | 2,785,000                | 19,938      | 1,860,000   | 649,683     |
| 2028-2031 | 0                        | 19,938      | 1,130,000   | 166,751     |
| Total     | \$9,995,000              | \$2,192,839 | \$4,650,000 | \$1,945,102 |

| Year      | OPWC Loans | ODOT Payable |
|-----------|------------|--------------|
|           | Principal  | Principal    |
| 2013      | \$31,540   | \$32,951     |
| 2014      | 38,087     | 32,951       |
| 2015      | 22,133     | 32,952       |
| 2016      | 22,133     | 0            |
| 2017      | 22,133     | 0            |
| 2018-2022 | 103,251    | 0            |
| 2023-2027 | 57,923     | 0            |
| 2028-2032 | 26,837     | 0            |
| Total     | \$324,037  | \$98,854     |

| <b>Business-Type Activities</b> |            |
|---------------------------------|------------|
| Year                            | OPWC Loans |
|                                 | Principal  |
| 2013                            | \$7,515    |
| 2014                            | 7,515      |
| 2015                            | 7,515      |
| 2016                            | 7,515      |
| 2017                            | 7,515      |
| 2018-2022                       | 37,572     |
| 2023-2027                       | 37,572     |
| 2028-2032                       | 30,073     |
| Total                           | \$142,792  |

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**Note 16 - 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<br>Activities | Business-Type<br>Activities |
|--------------------------------|----------------------------|-----------------------------|
| Copiers                        | \$62,301                   | \$0                         |
| Sewer Cleaner                  | 0                          | 299,720                     |
| Less: Accumulated Depreciation | (49,840)                   | (29,972)                    |
| <b>Total</b>                   | <b>\$12,461</b>            | <b>\$269,748</b>            |

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, 2012.

|  | Governmental<br>Activities | Business-Type<br>Activities |
|--|----------------------------|-----------------------------|
| 2013   | \$14,016                   | \$63,048                    |
| 2014   | 3,493                      | 63,048                      |
| 2015   | 0                          | 63,048                      |
| <b>Total Mimimum Lease Payments</b>            | <b>17,509</b>              | <b>189,144</b>              |
| Less: Amount representing interest             | (550)                      | (9,390)                     |
| <b>Present Value of Mimimum Lease Payments</b> | <b>\$16,959</b>            | <b>\$179,754</b>            |

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 17 – 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 a rate negotiated in various union contracts or set by council. Upon retirement, employees are paid a percentage of the sick days they have accumulated.

**Note 18 - 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 over 112 communities who have been

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. In 2012, 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](http://www.nopecinfo.org).

**Note 19 - 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 2012, the City of Eastlake paid \$120,414 in premiums from the general fund and special revenue funds, which represents 11.78 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 Maple Heights, 5353 Lee Road, Maple Heights, Ohio, 44137.

**Note 20 - 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, 2012*

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**Note 21 – 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                  | \$123,685        | Sanitary Sewer    | <u>\$23,334</u> |
| Road Improvements        | 78,934           |                   |                 |
| Other Governmental Funds | <u>68,108</u>    |                   |                 |
| Total Governmental Funds | <u>\$270,727</u> |                   |                 |

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# Dave Yost • Auditor of State

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

City of Eastlake  
Lake County  
35150 Lakeshore Boulevard  
Eastlake, Ohio 44095

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, (the City) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 26, 2014.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801  
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 26, 2014



# Dave Yost • Auditor of State

**CITY OF EASTLAKE**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 9, 2014**