



**Dave Yost • Auditor of State**

**City of Willoughby Hills  
Lake County, Ohio**

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

**Local Government Services Section**

**City of Willoughby Hills, Ohio**  
*General Purpose External Financial Statements*  
*For the Year Ended December 31, 2014*  
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# Dave Yost • Auditor of State

City of Willoughby Hills  
35405 Chardon Road  
Willoughby Hills, Ohio 44094

## Accountant's Compilation Report

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

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

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

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

DAVE YOST  
Auditor of State

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

Unice S. Smith  
Chief of Local Government Services

April 27, 2015

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

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

***Financial Highlights***

- The City's net position increased by a little over \$1,000,000 during 2014 due mainly to the continued pay-down of long-term obligations. Despite a decrease in income tax, revenues continued to exceed expenditures.
- In 2014, capital asset additions consisted of buildings and improvements, various vehicles and equipment and major road improvements. The City also completed work on the Maple Grove Pavement project during 2014.
- In 2014, healthcare premiums increased by 5 percent. Despite an increase in healthcare costs, program expenditures decreased in 2014 as a result of careful spending.

***Using This Annual Financial Report***

This discussion and analysis is intended to serve as an introduction to the City of Willoughby Hills' 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 increasingly 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 Willoughby Hills as a Whole***

***Statement of Net Position and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and 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 Willoughby Hills' 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 Willoughby Hills is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax valuation 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 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 include general government, security of persons and property (police and fire), leisure time activities, community environment and transportation. The only business-type activity is the sewer operation.

***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, 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 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 maintains twenty-five 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, safety forces fund and general obligation bond retirement fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

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**Proprietary Funds** The City's only proprietary fund is the sewer system. 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 record receipting of deposits and disbursements for persons and businesses who are involved with going through the Board of Zoning Appeals (BZA) with the City's Planning Commission. City ordinances require the deposit of funds to defray any engineering or legal cost associated with a case before our BZA of the Planning Commission.

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

***The City as a Whole***

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

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and Other Assets	\$16,502,445	\$16,480,733	\$1,031,448	\$647,587	\$17,533,893	\$17,128,320
Capital Assets, Net	13,091,706	13,495,506	18,837,861	19,220,497	31,929,567	32,716,003
<i>Total Assets</i>	<u>29,594,151</u>	<u>29,976,239</u>	<u>19,869,309</u>	<u>19,868,084</u>	<u>49,463,460</u>	<u>49,844,323</u>
<b>Liabilities</b>						
Current Liabilities	807,492	1,058,972	280,008	230,615	1,087,500	1,289,587
Long-Term Liabilities						
Due Within One Year	789,481	780,161	249,859	285,686	1,039,340	1,065,847
Due in More Than One Year	9,592,849	10,566,180	3,468,870	3,676,089	13,061,719	14,242,269
<i>Total Liabilities</i>	<u>11,189,822</u>	<u>12,405,313</u>	<u>3,998,737</u>	<u>4,192,390</u>	<u>15,188,559</u>	<u>16,597,703</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,543,191	1,541,278	0	0	1,543,191	1,541,278
Payment in Lieu of Taxes	122,300	120,000	0	0	122,300	120,000
<i>Total Deferred Inflows of Resources</i>	<u>1,665,491</u>	<u>1,661,278</u>	<u>0</u>	<u>0</u>	<u>1,665,491</u>	<u>1,661,278</u>
<b>Net Position</b>						
Net Investment in Capital Assets	10,954,987	10,609,135	15,070,382	15,258,722	26,025,369	25,867,857
Restricted for:						
Capital Projects	442,115	619,813	0	0	442,115	619,813
Debt Service	457,229	443,903	0	0	457,229	443,903
Other Purposes	2,407,993	2,420,615	0	0	2,407,993	2,420,615
Unrestricted	2,476,514	1,816,182	800,190	416,972	3,276,704	2,233,154
<i>Total Net Position</i>	<u>\$16,738,838</u>	<u>\$15,909,648</u>	<u>\$15,870,572</u>	<u>\$15,675,694</u>	<u>\$32,609,410</u>	<u>\$31,585,342</u>



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For the City, total net position for governmental activities saw an increase due mainly to a reduction in long-term debt obligations due to annual debt payments.

Total net position for business-type activities showed an increase that can be attributed to an increase in cash and cash equivalents due to a reduction in transfers for special assessments and revenues outpacing expenses. This increase in total net position was partially offset by a reduction in capital assets due to annual depreciation.

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 Activity		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$1,712,780	\$1,895,529	\$1,733,090	\$1,359,969	\$3,445,870	\$3,255,498
Operating Grants and Contributions	788,448	1,159,390	0	0	788,448	1,159,390
Capital Grants and Assessments	227,270	518,856	0	28,877	227,270	547,733
<b>Total Program Revenues</b>	<b>2,728,498</b>	<b>3,573,775</b>	<b>1,733,090</b>	<b>1,388,846</b>	<b>4,461,588</b>	<b>4,962,621</b>
General Revenues						
Property Taxes	1,602,292	1,461,960	0	0	1,602,292	1,461,960
Income Taxes	4,547,428	4,749,102	0	0	4,547,428	4,749,102
Admission Taxes	22,909	38,130	0	0	22,909	38,130
Grants and Entitlements	592,024	539,373	0	0	592,024	539,373
Franchise Taxes	95,204	98,728	0	0	95,204	98,728
Interest	788	818	146	410	934	1,228
Payment in Lieu of Taxes	122,274	119,279	0	0	122,274	119,279
Gain on the Sale of Capital Assets	5,629	44,648	0	0	5,629	44,648
Unrestricted Contributions	3,503	0	0	0	3,503	0
Other	76,664	71,547	0	853	76,664	72,400
<b>Total General Revenues</b>	<b>7,068,715</b>	<b>7,123,585</b>	<b>146</b>	<b>1,263</b>	<b>7,068,861</b>	<b>7,124,848</b>
<b>Total Revenues</b>	<b>\$9,797,213</b>	<b>\$10,697,360</b>	<b>\$1,733,236</b>	<b>\$1,390,109</b>	<b>\$11,530,449</b>	<b>\$12,087,469</b>

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	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
<b>Program Expenses</b>						
General Government	\$1,515,094	\$1,592,444	\$0	\$0	\$1,515,094	\$1,592,444
Security of Persons and Property						
Police	3,331,051	3,351,748	0	0	3,331,051	3,351,748
Fire	1,905,906	2,044,077	0	0	1,905,906	2,044,077
Transportation	1,497,233	1,860,471	0	0	1,497,233	1,860,471
Community Environment	130,806	123,531	0	0	130,806	123,531
Leisure Time Activities	333,411	332,372	0	0	333,411	332,372
Interest and Fiscal Charges	311,238	344,689	0	0	311,238	344,689
Sewer	0	0	1,481,642	1,636,430	1,481,642	1,636,430
<b>Total Program Expenses</b>	<b>9,024,739</b>	<b>9,649,332</b>	<b>1,481,642</b>	<b>1,636,430</b>	<b>10,506,381</b>	<b>11,285,762</b>
Transfers	56,716	585,146	(56,716)	(585,146)	0	0
Change in Net Position	829,190	1,633,174	194,878	(831,467)	1,024,068	801,707
Net Position Beginning of Year	15,909,648	14,276,474	15,675,694	16,507,161	31,585,342	30,783,635
Net Position End of Year	<u>\$16,738,838</u>	<u>\$15,909,648</u>	<u>\$15,870,572</u>	<u>\$15,675,694</u>	<u>\$32,609,410</u>	<u>\$31,585,342</u>

***Governmental Activities***

For governmental activities, there was a decrease in both program revenues and general revenues for 2014. The decrease in charges for services was due to a reduction in fines and forfeitures due to fewer court collections. The decrease in capital grants and assessment program revenues was due to the phase out of inheritance tax monies. The decrease in general revenues was mainly due to a drop in income tax collections resulting from a decrease in employee withholding collections. Several sources fund the City's governmental activities with the municipal income tax being the largest component. The City has a current municipal income tax rate of two percent. In November 2010, the voters approved a one half percent increase to the City's income tax rate. Effective January 1, 2011, the City has matched its other adjacent Lake County cities with an income tax rate of two percent. The additional one half percent increase was solely used to support the City's safety forces. The City grants one hundred 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 4.3 mills of outside millage. The outside millage is generated from a 1.8 mill perpetual levy for fire and EMS services and a 2.5 mill road levy. The City is constantly reviewing its fee structure to insure that all fees constitute a fair charge for the cost of providing government services. A review of the above table also shows that program expenses significantly decreased from 2013 levels.

Overall, the largest expenses for the City are in the police and fire departments. The City, in conjunction with the Federal Drug Enforcement Agency, vigorously enforces drug laws. They have made several large drug busts and confiscated large quantities of illegal substances. The City places confiscated funds in two special revenue funds. The use of these confiscated funds is governed by the police department control policy.

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The City's fire department is staffed by approximately 30 full-time and part-time firemen. All of these personnel are cross trained as paramedics. In the late 1990's the City began charging for ambulance rides. Proceeds of the ambulance billings are pledged by ordinance to help defray the costs of the \$1,153,000 bond taken-out in 2001 for a major renovation of the fire station.

Another major expense is transportation. The City uses a combination of the State license and gasoline excise taxes to fund a ten person service department. In 2001, the City made a change in budgeting and moved all of the department costs into the street construction, maintenance and repair special revenue fund. Prior to this, there were duplicate expense codes for personnel and materials. By combining all transportation services in one fund, the City can monitor the expenses more easily.

***Business-Type Activity***

The City's business-type activity is comprised of one enterprise fund, which is the City's sanitary sewer system. The largest source of revenue for the sewer fund is charges for services. On the expense side, the largest expense was for contractual services relating to utilities.

***Governmental Funds***

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 begins with the balance sheet and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, safety forces special revenue fund and the general obligation bond retirement fund. Despite a decrease in revenues, the general fund saw an increase in fund balance during the year due to decrease in expenditures and transfers out. The safety forces special revenue fund saw an decrease in fund balance due to a decrease in transfers from the general fund. The general obligation bond retirement fund saw an increase in fund balance resulting from a decrease in loan debt service expenditures.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2014, the City amended its general fund numerous times as the City tried 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 capital expenditures as the City operates with a legal level of control at the object level within each department for all funds. 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 a decrease in actual revenue received due to lower than estimated fines and forfeitures. 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 maintain a positive fund balance.

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**Capital Assets**

Table 3 shows 2014 balances of capital assets as compared to 2013.

**Table 3**  
*Capital Assets at December 31*  
*(Net of Accumulated Depreciation)*

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Land	\$279,700	\$279,700	\$268,613	\$268,613	\$548,313	\$548,313
Construction in Progress	0	119,906	0	0	0	119,906
Land Improvements	373,060	421,777	0	0	373,060	421,777
Buildings Improvements	4,996,112	5,151,164	0	0	4,996,112	5,151,164
Machinery and Equipment	2,173,868	2,420,237	250,677	201,022	2,424,545	2,621,259
Infrastructure	5,268,966	5,102,722	0	0	5,268,966	5,102,722
Sewer Improvements	0	0	18,318,571	18,750,862	18,318,571	18,750,862
<b>Total Capital Assets</b>	<b>\$13,091,706</b>	<b>\$13,495,506</b>	<b>\$18,837,861</b>	<b>\$19,220,497</b>	<b>\$31,929,567</b>	<b>\$32,716,003</b>

Governmental capital assets, net of depreciation decreased due to current year annual depreciation outpacing additions. For 2014, the primary additions for governmental activities included various vehicles, equipment and major road improvements. Business-type capital assets, net of depreciation, decreased as a result of annual depreciation offset by additions to equipment. Additional information concerning the City's capital assets can be found in Note 9, to the basic financial statements.

**Long-term Obligations**

Table 4 summarizes the City's long-term obligations outstanding.

*Outstanding Long-term Obligations at Year End*

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$1,024,800	\$1,282,200	\$0	\$0	\$1,024,800	\$1,282,200
OPWC Loans	45,000	50,000	443,125	480,575	488,125	530,575
OWDA Loans	7,762,601	8,241,683	3,275,604	3,481,200	11,038,205	11,722,883
Long-Term Notes	800,000	1,000,000	0	0	800,000	1,000,000
Lake County Payable	12,115	24,230	0	0	12,115	24,230
Capital Leases	54,804	79,941	0	0	54,804	79,941
Compensated Absences	683,010	668,287	0	0	683,010	668,287
<b>Total</b>	<b>\$10,382,330</b>	<b>\$11,346,341</b>	<b>\$3,718,729</b>	<b>\$3,961,775</b>	<b>\$14,101,059</b>	<b>\$15,308,116</b>

The governmental general obligation bonds outstanding consist of the 2001 fire station improvement bonds, 2004 municipal complex improvement bonds and 2005 aerial ladder fire truck bonds. The OWDA loans outstanding are for sanitary sewer improvements. The principal and interest for the OWDA loans are retired

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with assessments levied against property owners of the City based on the benefit to the respective parties. Assessments are collected by the Lake County Auditor and will be received through 2032. The OPWC loan outstanding is for the Rogers Road slope failure project. The notes payable outstanding are for the anticipation of bonds being issued for municipal facilities, street improvements, and the acquisition of a new fire truck. The Lake County payable consists of money owed to Lake County for the City's local portion of the Pleasant Valley Road project. Business-type debt includes OPWC loans and OWDA loans outstanding for infrastructure improvement projects, which are repaid using sewer revenues. Additional information concerning debt issuances can be found in Notes 14 and 15 to the basic financial statements.

**Current Related Financial Activities**

The City maintains a careful watch over its financial operations. This should help the City continue to remain financially strong. In addition, the City is working on strengthening its internal control system, and improving its budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the citizens of Willoughby Hills with full disclosure of the financial position of the City.

**Contacting the City of Willoughby Hills' 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 Willoughby Hills, 35405 Chardon Road, Willoughby Hills, Ohio 44094-9103. Phone: (440) 946-1234, Fax: (440) 975-3533 or email [finance@willoughbyhills-oh.gov](mailto:finance@willoughbyhills-oh.gov).

**City of Willoughby Hills, Ohio**

*Statement of Net Position*

*December 31, 2014*

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,868,335	\$999,067	\$4,867,402
Cash and Cash Equivalents in Segregated Accounts	1,320	0	1,320
Materials and Supplies Inventory	139,975	0	139,975
Accounts Receivable	218,760	0	218,760
Intergovernmental Receivable	868,649	17,483	886,132
Prepaid Items	59,592	14,898	74,490
Municipal Income Taxes Receivable	1,713,948	0	1,713,948
Property Taxes Receivable	1,608,636	0	1,608,636
Special Assessments Receivable	7,900,930	0	7,900,930
Payment in Lieu of Taxes Receivable	122,300	0	122,300
Nondepreciable Capital Assets	279,700	268,613	548,313
Depreciable Capital Assets, Net	12,812,006	18,569,248	31,381,254
<i>Total Assets</i>	<u>29,594,151</u>	<u>19,869,309</u>	<u>49,463,460</u>
<b>Liabilities</b>			
Accounts Payable	28,356	225,801	254,157
Contracts Payable	42,595	0	42,595
Accrued Wages	139,144	1,847	140,991
Accrued Interest Payable	155,107	51,424	206,531
Intergovernmental Payable	242,290	936	243,226
Notes Payable	200,000	0	200,000
Long-Term Liabilities:			
Due Within One Year	789,481	249,859	1,039,340
Due In More Than One Year	9,592,849	3,468,870	13,061,719
<i>Total Liabilities</i>	<u>11,189,822</u>	<u>3,998,737</u>	<u>15,188,559</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,543,191	0	1,543,191
Payment in Lieu of Taxes	122,300	0	122,300
<i>Total Deferred Inflows of Resources</i>	<u>1,665,491</u>	<u>0</u>	<u>1,665,491</u>
<b>Net Position</b>			
Net Investment in Capital Assets	10,954,987	15,070,382	26,025,369
Restricted for:			
Capital Projects	442,115	0	442,115
Debt Service	457,229	0	457,229
Other Purposes	2,407,993	0	2,407,993
Unrestricted	2,476,514	800,190	3,276,704
<i>Total Net Position</i>	<u>\$16,738,838</u>	<u>\$15,870,572</u>	<u>\$32,609,410</u>

See accountant's compilation report

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Assessments
<b>Governmental Activities:</b>				
General Government	\$1,515,094	\$994,995	\$1,225	\$0
Security of Persons and Property				
Police	3,331,051	51,586	12,045	0
Fire	1,905,906	266,884	54,224	0
Transportation	1,497,233	124,313	719,809	227,270
Community Environment	130,806	95,978	1,107	0
Leisure Time Activities	333,411	179,024	38	0
Interest and Fiscal Charges	311,238	0	0	0
<i>Total Governmental Activities</i>	9,024,739	1,712,780	788,448	227,270
<b>Business-Type Activity:</b>				
Sewer	1,481,642	1,733,090	0	0
<i>Total</i>	<u>\$10,506,381</u>	<u>\$3,445,870</u>	<u>\$788,448</u>	<u>\$227,270</u>

**General Revenues**

Property Taxes Levied for:

    General Purposes

    Debt Service

    Police Pension

    Fire Levy

    Road Levy

Municipal Income Tax Levied for:

    General Purposes

    Safety Forces

Admission Taxes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Interest

Payment in Lieu of Taxes

Gain on Sale of Capital Assets

Unrestricted Contributions

Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

*Change in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

See accountant's compilation report

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
(\$518,874)	\$0	(\$518,874)
(3,267,420)	0	(3,267,420)
(1,584,798)	0	(1,584,798)
(425,841)	0	(425,841)
(33,721)	0	(33,721)
(154,349)	0	(154,349)
(311,238)	0	(311,238)
(6,296,241)	0	(6,296,241)
<u>0</u>	<u>251,448</u>	<u>251,448</u>
<u>(6,296,241)</u>	<u>251,448</u>	<u>(6,044,793)</u>
489,613	0	489,613
103,194	0	103,194
65,866	0	65,866
395,200	0	395,200
548,419	0	548,419
3,660,162	0	3,660,162
887,266	0	887,266
22,909	0	22,909
592,024	0	592,024
95,204	0	95,204
788	146	934
122,274	0	122,274
5,629	0	5,629
3,503	0	3,503
76,664	0	76,664
7,068,715	146	7,068,861
<u>56,716</u>	<u>(56,716)</u>	<u>0</u>
<u>7,125,431</u>	<u>(56,570)</u>	<u>7,068,861</u>
829,190	194,878	1,024,068
<u>15,909,648</u>	<u>15,675,694</u>	<u>31,585,342</u>
<u>\$16,738,838</u>	<u>\$15,870,572</u>	<u>\$32,609,410</u>

See accountant's compilation report



**City of Willoughby Hills, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2014*

	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,320,329	\$565,220	\$157,416	\$1,790,379	\$3,833,344
Cash and Cash Equivalents in					
Segregated Accounts	1,320	0	0	0	1,320
Materials and Supplies Inventory	7,811	8,930	0	123,234	139,975
Accounts Receivable	24,770	0	0	193,990	218,760
Intergovernmental Receivable	227,661	0	303,325	337,663	868,649
Prepaid Items	59,592	0	0	0	59,592
Municipal Income Taxes Receivable	1,351,448	362,500	0	0	1,713,948
Property Taxes Receivable	491,443	0	103,567	1,013,626	1,608,636
Special Assessments Receivable	0	0	7,900,930	0	7,900,930
Payment in Lieu of Taxes Receivable	0	0	0	122,300	122,300
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	34,991	0	0	0	34,991
<b>Total Assets</b>	<b>\$3,519,365</b>	<b>\$936,650</b>	<b>\$8,465,238</b>	<b>\$3,581,192</b>	<b>\$16,502,445</b>
<b>Liabilities</b>					
Accounts Payable	\$5,958	\$11,111	\$0	\$11,287	\$28,356
Contracts Payable	7,244	4,666	0	30,685	42,595
Accrued Wages	13,445	97,524	0	28,175	139,144
Intergovernmental Payable	165,964	65,506	0	10,820	242,290
Accrued Interest Payable	0	1,125	0	375	1,500
Notes Payable	0	150,000	0	50,000	200,000
<b>Total Liabilities</b>	<b>192,611</b>	<b>329,932</b>	<b>0</b>	<b>131,342</b>	<b>653,885</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	471,451	0	99,353	972,387	1,543,191
Payment in Lieu of Taxes	0	0	0	122,300	122,300
Unavailable Revenue	1,272,584	280,470	8,206,379	488,253	10,247,686
<b>Total Deferred Inflows of Resources</b>	<b>1,744,035</b>	<b>280,470</b>	<b>8,305,732</b>	<b>1,582,940</b>	<b>11,913,177</b>
<b>Fund Balances</b>					
Nonspendable	102,394	8,930	0	123,234	234,558
Restricted	0	317,318	159,506	1,404,464	1,881,288
Committed	18,431	0	0	339,212	357,643
Assigned	664,290	0	0	0	664,290
Unassigned	797,604	0	0	0	797,604
<b>Total Fund Balances</b>	<b>1,582,719</b>	<b>326,248</b>	<b>159,506</b>	<b>1,866,910</b>	<b>3,935,383</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$3,519,365</b>	<b>\$936,650</b>	<b>\$8,465,238</b>	<b>\$3,581,192</b>	<b>\$16,502,445</b>

See accountant's compilation report

See accompanying notes to the basic financial statements

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

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<b>Total Governmental Funds Balances</b>	<b>\$3,935,383</b>
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*Amounts reported for governmental activities in the  
 statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,091,706
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Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.

Intergovernmental	768,948		
Special Assessments	7,900,930		
Income Taxes	1,326,064		
Delinquent Property Taxes	32,984		
Licenses, Permits and Fees	24,770		
Charges for Services	193,990		
<b>Total</b>		<b>10,247,686</b>	

In the statement of activities, interest is accrued on outstanding liabilities, whereas in governmental funds, an interest expenditure is reported when due.	(153,607)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(1,024,800)		
OPWC Loans Payable	(45,000)		
OWDA Loans Payable	(7,762,601)		
Notes Payable	(800,000)		
Lake County Payable	(12,115)		
Capital Leases	(54,804)		
Compensated Absences	(683,010)		
<b>Total</b>		<b>(10,382,330)</b>	

<i>Net Position of Governmental Activities</i>	<u><u>\$16,738,838</u></u>
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See accountant's compilation report  
 See accompanying notes to the basic financial statements

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

	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$495,824	\$0	\$104,503	\$1,022,297	\$1,622,624
Municipal Income Taxes	3,731,078	940,530	0	0	4,671,608
Admission Taxes	22,909	0	0	0	22,909
Charges for Services	73,231	17,362	0	304,761	395,354
Licenses, Permits and Fees	192,271	1,695	0	0	193,966
Fines and Forfeitures	865,695	0	0	96,324	962,019
Intergovernmental	567,415	0	49,320	826,669	1,443,404
Special Assessments	0	0	685,944	559	686,503
Payment in Lieu of Taxes	0	0	0	122,274	122,274
Interest	295	101	20	372	788
Rentals	148,778	0	0	25,770	174,548
Contributions and Donations	3,503	2,090	0	2,370	7,963
Franchise Taxes	95,204	0	0	0	95,204
Miscellaneous	42,602	12,495	4,970	16,597	76,664
<i>Total Revenues</i>	<u>6,238,805</u>	<u>974,273</u>	<u>844,757</u>	<u>2,417,993</u>	<u>10,475,828</u>
<b>Expenditures</b>					
Current:					
General Government	1,256,139	29,794	39,749	76,358	1,402,040
Security of Persons and Property					
Police	0	3,058,657	0	169,600	3,228,257
Fire	0	1,252,847	0	525,140	1,777,987
Transportation	167,500	0	0	1,284,830	1,452,330
Community Environment	129,321	0	0	901	130,222
Leisure Time Activities	215,747	0	0	42,213	257,960
Capital Outlay	0	0	0	70,819	70,819
Debt Service:					
Principal Retirement	0	0	753,597	25,137	778,734
Refunding Notes Redeemed	0	750,000	0	250,000	1,000,000
Interest and Fiscal Charges	0	9,000	307,261	8,624	324,885
<i>Total Expenditures</i>	<u>1,768,707</u>	<u>5,100,298</u>	<u>1,100,607</u>	<u>2,453,622</u>	<u>10,423,234</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,470,098</u>	<u>(4,126,025)</u>	<u>(255,850)</u>	<u>(35,629)</u>	<u>52,594</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	30,266	0	0	0	30,266
Refunding Notes Issued	0	600,000	0	200,000	800,000
Transfers In	0	3,509,604	280,948	508,692	4,299,244
Transfers Out	<u>(3,903,626)</u>	<u>(1,664)</u>	<u>0</u>	<u>(337,238)</u>	<u>(4,242,528)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(3,873,360)</u>	<u>4,107,940</u>	<u>280,948</u>	<u>371,454</u>	<u>886,982</u>
<i>Net Change in Fund Balances</i>	<u>596,738</u>	<u>(18,085)</u>	<u>25,098</u>	<u>335,825</u>	<u>939,576</u>
<i>Fund Balances Beginning of Year</i>	<u>985,981</u>	<u>344,333</u>	<u>134,408</u>	<u>1,531,085</u>	<u>2,995,807</u>
<i>Fund Balances End of Year</i>	<u>\$1,582,719</u>	<u>\$326,248</u>	<u>\$159,506</u>	<u>\$1,866,910</u>	<u>\$3,935,383</u>

See accountant's compilation report  
See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2014*

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**Net Change in Fund Balances - Total Governmental Funds** \$939,576

*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	308,402	
Current Year Depreciation	(660,562)	
Total	(352,160)	(352,160)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (51,640)

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

Delinquent Property Taxes	(20,332)	
Income Taxes	(124,180)	
Special Assessments	(482,834)	
Licenses, Permits and Fees	24,770	
Charges for Services	(37,877)	
Intergovernmental	(43,791)	
Total	(684,244)	(684,244)

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

General Obligation Bonds Payable	257,400	
OPWC Loans Payable	5,000	
OWDA Loans Payable	479,082	
Notes Payable	1,000,000	
Intergovernmental Payable	12,115	
Capital Leases Payable	25,137	
Total	1,778,734	1,778,734

Proceeds of refunding notes are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net position. (800,000)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position. 13,647

Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds. (14,723)

*Change in Net Position of Governmental Activities* \$829,190

See accountant's compilation report  
See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$547,713	\$488,100	\$496,351	\$8,251
Municipal Income Taxes	3,686,254	3,758,500	3,705,407	(53,093)
Admission Taxes	25,343	50,200	25,475	(24,725)
Charges for Services	42,624	50,200	42,845	(7,355)
Licenses, Permits and Fees	208,442	106,500	209,525	103,025
Fines and Forfeitures	864,890	1,002,400	869,384	(133,016)
Intergovernmental	560,604	471,400	565,769	94,369
Interest	288	500	289	(211)
Rentals	148,009	155,600	148,778	(6,822)
Contributions and Donations	3,213	4,500	3,230	(1,270)
Franchise Taxes	94,712	100,000	95,204	(4,796)
Miscellaneous	40,808	45,000	42,602	(2,398)
<i>Total Revenues</i>	6,222,900	6,232,900	6,204,859	(28,041)
<b>Expenditures</b>				
Current:				
General Government	1,412,267	1,416,567	1,278,392	138,175
Transportation	274,503	272,504	219,653	52,851
Community Environment	127,181	132,281	129,640	2,641
Leisure Time Activities	191,198	198,597	185,683	12,914
<i>Total Expenditures</i>	2,005,149	2,019,949	1,813,368	206,581
<i>Excess of Revenues Over (Under) Expenditures</i>	4,217,751	4,212,951	4,391,491	178,540
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	10,000	10,000	30,266	20,266
Advances Out	(22,200)	(22,200)	(21,855)	345
Transfers Out	(4,406,400)	(4,491,900)	(3,921,222)	570,678
<i>Total Other Financing Sources (Uses)</i>	(4,418,600)	(4,504,100)	(3,912,811)	591,289
<i>Net Change in Fund Balance</i>	(200,849)	(291,149)	478,680	769,829
<i>Fund Balance Beginning of Year</i>	678,808	678,808	678,808	0
Prior Year Encumbrances Appropriated	68,849	68,849	68,849	0
<i>Fund Balance End of Year</i>	\$546,808	\$456,508	\$1,226,337	\$769,829

See accountant's compilation report  
See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Safety Forces Fund*  
*For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Municipal Income Taxes	\$939,373	\$803,500	\$942,375	\$138,875
Charges for Services	19,290	16,500	17,362	862
Licenses, Permits and Fees	6,781	5,800	1,695	(4,105)
Intergovernmental	0	0	3,015	3,015
Interest	117	100	101	1
Contributions and Donations	1,169	1,000	2,090	1,090
Miscellaneous	9,470	8,100	12,495	4,395
<i>Total Revenues</i>	<u>976,200</u>	<u>835,000</u>	<u>979,133</u>	<u>144,133</u>
<b>Expenditures</b>				
Current:				
General Government	28,300	29,800	29,794	6
Security of Persons and Property				
Police	3,478,299	3,461,396	3,103,395	358,001
Fire	1,325,428	1,326,431	1,271,666	54,765
<i>Total Expenditures</i>	<u>4,832,027</u>	<u>4,817,627</u>	<u>4,404,855</u>	<u>412,772</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,855,827)</u>	<u>(3,982,627)</u>	<u>(3,425,722)</u>	<u>556,905</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	22,200	22,200	21,855	(345)
Transfers In	4,078,200	4,078,200	3,509,604	(568,596)
Transfers Out	(217,000)	(221,700)	(160,664)	61,036
<i>Total Other Financing Sources (Uses)</i>	<u>3,883,400</u>	<u>3,878,700</u>	<u>3,370,795</u>	<u>(507,905)</u>
<i>Net Change in Fund Balance</i>	27,573	(103,927)	(54,927)	49,000
<i>Fund Balance Beginning of Year</i>	441,267	441,267	441,267	0
Prior Year Encumbrances Appropriated	54,927	54,927	54,927	0
<i>Fund Balance End of Year</i>	<u>\$523,767</u>	<u>\$392,267</u>	<u>\$441,267</u>	<u>\$49,000</u>

See accountant's compilation report  
See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**

*Statement of Fund Net Position*

*Enterprise Fund*

*December 31, 2014*

	<u>Sewer</u>
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$999,067
Intergovernmental Receivable	17,483
Prepaid Items	<u>14,898</u>
<i>Total Current Assets</i>	<u>1,031,448</u>
<i>Noncurrent Assets</i>	
Nondepreciable Capital Assets	268,613
Depreciable Capital Assets, Net	<u>18,569,248</u>
<i>Total Noncurrent Assets</i>	<u>18,837,861</u>
<i>Total Assets</i>	<u>19,869,309</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	225,801
Accrued Wages	1,847
Accrued Interest Payable	51,424
Intergovernmental Payable	936
OWDA Loans Payable	212,409
OPWC Loans Payable	<u>37,450</u>
<i>Total Current Liabilities</i>	<u>529,867</u>
<i>Long-Term Liabilities (Net of Current Portion):</i>	
OWDA Loans Payable	3,063,195
OPWC Loans Payable	<u>405,675</u>
<i>Total Long-Term Liabilities</i>	<u>3,468,870</u>
<i>Total Liabilities</i>	<u>3,998,737</u>
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	15,070,382
Unrestricted	<u>800,190</u>
<i>Total Net Position</i>	<u><u>\$15,870,572</u></u>

See accountant's compilation report

See accompanying notes to the basic financial statements

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

	Sewer
<b>Operating Revenue</b>	
Charges for Services	\$1,733,090
<b>Operating Expenses</b>	
Personal Services	81,698
Fringe Benefits	23,947
Contractual Services	758,494
Depreciation	475,432
Other	55,454
<i>Total Operating Expenses</i>	1,395,025
<i>Operating Income (Loss)</i>	338,065
<b>Other Financing Sources (Uses)</b>	
Interest Income	146
Loss on Disposal of Capital Assets	(13,001)
Interest and Fiscal Charges	(73,616)
<i>Total Other Financing Sources (Uses)</i>	(86,471)
<i>Income (Loss) before Transfers</i>	251,594
Transfers Out	(56,716)
<i>Change in Net Position</i>	194,878
<i>Net Position Beginning of Year</i>	15,675,694
<i>Net Position End of Year</i>	\$15,870,572

See accountant's compilation report  
See accompanying notes to the basic financial statements



**City of Willoughby Hills, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund*  
For the Year Ended December 31, 2014

	Sewer
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,732,504
Cash Payments for Employee Services and Benefits	(105,652)
Cash Payments for Contractual Services	(694,381)
Cash Payments for Other Operating Expenses	(64,382)
<i>Net Cash Provided by (Used for) Operating Activities</i>	868,089
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers Out	(56,716)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Paid on OWDA Loans	(205,596)
Interest Paid on OWDA Loans	(80,513)
Principal Paid on OPWC Loans	(37,450)
Acquisition of Capital Assets	(105,797)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	(429,356)
<b>Cash Flows from Investing Activities</b>	
Interest	146
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	382,163
<i>Cash and Cash Equivalents Beginning of Year</i>	616,904
<i>Cash and Cash Equivalents End of Year</i>	\$999,067

(continued)

See accountant's compilation report

**City of Willoughby Hills, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund (continued)*  
*For the Year Ended December 31, 2014*

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	<u>Sewer</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	<u>\$338,065</u>
Adjustments:	
Depreciation	475,432
(Increase)/Decrease in Assets:	
Intergovernmental Receivable	(586)
Prepays	(1,112)
Increase/(Decrease) in Liabilities:	
Accounts Payable	56,329
Accrued Wages	265
Intergovernmental Payable	<u>(304)</u>
<i>Total Adjustments</i>	<u>530,024</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$868,089</u></u>

See accountant's compilation report

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2014*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$196,422</u></u>
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**Liabilities**

Deposits Held and Due to Others	<u><u>\$196,422</u></u>
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See accountant's compilation report

See accompanying notes to the basic financial statements

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

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**Note 1 - Reporting Entity**

The City of Willoughby Hills (the City) is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective September 15, 1970. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor. The council members are elected for four year staggered terms. Four of the council members are elected at large. The mayor is elected for a four 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, departments, boards and agencies that are not legally separate from the City. For the City of Willoughby Hills, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling, 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 which are fiscally dependent on the City in that 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 the Northeast Ohio Public Energy Council, a jointly governed organization. This organization is discussed in Note 17 of the Basic Financial Statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City of Willoughby Hills 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 Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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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 activity 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 activity 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 Willoughby Hills and/or the general laws of Ohio.

***Safety Forces Fund*** The safety forces special revenue fund is used to account for and report voter approved income taxes that are restricted for salaries of police and firemen and for police and fire supplies and equipment.

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

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**General Obligation Bond Retirement Fund** The general obligation bond retirement fund is used to account for and report restricted property taxes levied to be used for the payment of principal and interest on general obligation bonds issued.

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 Fund** - Enterprise fund may be used to account for and report any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

**Sewer Fund** The sewer fund accounts for and reports the provisions of sanitary sewer services to the residents and commercial users located 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 fund accounts for and reports construction deposits.

**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 fund is 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 activity.

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

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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 fund 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 thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

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, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, charges for services, licenses, permits and fees, income taxes, intergovernmental and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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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 Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 sets 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 for all funds. Any budgetary modifications at this level may only be made by resolution of City Council. Authority to further allocate Council appropriations within objects has been given to the Director of Finance.

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 amounts on the certificate of estimated resources when 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 the 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 the 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 has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are reported as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City Treasury.

During 2014, investments were limited to STAR Ohio. 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 for on December 31, 2014.



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

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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 2014 was \$295, none of which was assigned from other City funds.

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

***Prepaid Items***

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

***Inventory***

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

***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 fund are reported both in the business-type activity column of the government-wide statement of net position and in the fund.

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 assets 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. 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 Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Description	Estimated Lives
Land Improvements	15 - 20 years
Buildings and Improvements	10 - 50 years
Machinery and Equipment	5 - 20 years
Infrastructure	20 - 50 years

The City's infrastructure consists of roads, sidewalks, sanitary sewers, storm sewers and traffic signals and does not include infrastructure acquired prior to December 31, 2004.

***Interfund Balances***

On fund financial statements, receivables and payables resulting from interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are represented as internal balances.

***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 vesting method. The liability includes the employees the City has identified as probable of receiving payment in the future (those employees with ten years or more of service). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after ten years of service with the City.

***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 fund 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, 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.

***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:

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

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***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***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 the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by 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, the 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 is 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 Council. In the general fund, assigned amounts represent intended uses established by policies of the 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 2015’s budget and for recreation.

***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.

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

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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 borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for court improvements, police and fire safety forces and street repair and maintenance.

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

***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 sewer 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.

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

**Note 3 - Fund Balances**

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

Fund Balances	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Unclaimed Monies	\$34,991	\$0	\$0	\$0	\$34,991
Inventory	7,811	8,930	0	123,234	139,975
Prepays	59,592	0	0	0	59,592
<b><i>Total Nonspendable</i></b>	<b>102,394</b>	<b>8,930</b>	<b>0</b>	<b>123,234</b>	<b>234,558</b>
<b><i>Restricted for</i></b>					
Court Improvements	0	0	0	15,314	15,314
Veterans Memorial	0	0	0	1,224	1,224
Police Pension	0	0	0	14,769	14,769
Public Safety	0	317,318	0	131,700	449,018
Street Maintenance	0	0	0	650,711	650,711
Enforcement and Education	0	0	0	139,579	139,579
Debt	0	0	159,506	9,052	168,558
Capital Improvements	0	0	0	442,115	442,115
<b><i>Total Restricted</i></b>	<b>0</b>	<b>317,318</b>	<b>159,506</b>	<b>1,404,464</b>	<b>1,881,288</b>
<b><i>Committed to</i></b>					
Underground Storage	11,000	0	0	0	11,000
Parks and Recreation	0	0	0	34,631	34,631
Assistance to Seniors	0	0	0	5,612	5,612
Capital Improvements	0	0	0	298,969	298,969
Employee Termination Pay	1,355	0	0	0	1,355
Financial Services	6,076	0	0	0	6,076
<b><i>Total Committed</i></b>	<b>18,431</b>	<b>0</b>	<b>0</b>	<b>339,212</b>	<b>357,643</b>
<b><i>Assigned to</i></b>					
Recreation	30,665	0	0	0	30,665
Purchases on Order	72,125	0	0	0	72,125
2015 Appropriations	561,500	0	0	0	561,500
<b><i>Total Assigned</i></b>	<b>664,290</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>664,290</b>
<b><i>Unassigned</i></b>	<b>797,604</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>797,604</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,582,719</b>	<b>\$326,248</b>	<b>\$159,506</b>	<b>\$1,866,910</b>	<b>\$3,935,383</b>

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

**Note 4 - Budgetary Basis of Accounting**

While 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 and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual are presented in the basic financial statements for the general fund and major special revenue fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but is reported on the operating statements prepared using GAAP.
5. Advances In and Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Budgetary revenues and expenditures of the recreation fund are classified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds:

Net Change in Fund Balance		Safety
	General	Forces
GAAP Basis	\$596,738	(\$18,085)
Net Adjustment for Revenue Accruals	22,131	(595,140)
Advances In	0	21,855
Beginning Unrecorded Cash	10,214	42,352
Ending Unrecorded Cash	(6,548)	(43,878)
Net Adjustment for Expenditure Accruals	(21,701)	618,044
Perspective Difference:		
Recreation	(2,992)	0
Advances Out	(21,855)	0
Encumbrances	(97,307)	(80,075)
Budget Basis	\$478,680	(\$54,927)

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

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**Note 5 - Deposits and Investments**

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

Active deposits are public deposits 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 on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and

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8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

### ***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, \$2,566,890 of the City's bank balance of \$2,926,665 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 institutions 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, 2014, the City had \$2,067,306 invested in STAR Ohio with an average maturity of 50.1 days.

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that



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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. The City has no policy that addresses credit risk.

## **Note 6 - Receivables**

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property taxes, payment in lieu of taxes, permissive motor vehicle taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for user charged services including unbilled utility services).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes and special assessments are expected to be received 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 \$7,539,986 in the general obligation bond retirement fund. At December 31, 2014, the amount of delinquent special assessments was \$148,131.

### ***Property Taxes***

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

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

**City of Willoughby Hills, Ohio**  
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The full tax rate for all City operations for the year ended December 31, 2014, was \$7.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$187,145,370
Other Real Estate	63,942,660
Tangible Personal Property	
Public Utility	<u>4,757,300</u>
Total Assessed Values	<u><u>\$255,845,330</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, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

#### ***Income Taxes***

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. On November 2, 2010, a majority of the electors voted to approve an amendment to the city charter which increased the income tax rate to two percent from one and one half percent effective January 1, 2011. The amendment further stipulates that any and all income above one and one half percent up to two percent of income tax paid on income earned within the City and net profits shall be exclusively used to support the City's safety forces. The City allows a credit of one hundred 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.

Income tax proceeds up to one and one half percent are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Willoughby Hills. Income tax proceeds above the one and one half percent up to two percent are to be used for safety forces. In 2014, the proceeds were allocated to the general fund and the safety forces special revenue fund.

#### ***Payments in Lieu of Taxes***

According to State law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first.

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Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

***Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

	Amount
<i>Governmental Activities</i>	
Lake County	\$294,437
Local Government	189,488
Motor Vehicle License Tax	127,941
Gas Excise Tax	115,324
Homestead and Rollback	105,554
Lake County Storm Water Reimbursement Grant	22,462
Tangible Personal Property Loss Reimbursement	7,688
U.S. Department of Justice	3,520
Willoughby Municipal Court	2,235
<i>Total Governmental Activities</i>	\$868,649
<i>Business-Type Activity</i>	
Lake County	\$17,483

**Note 7 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2014, the City participated in the Municipal Insurance Alliance of Ohio Package Plan which contracted with Custis Insurance Service for the following types of insurance:

Type	Coverage
Property	\$15,671,750
General Liability	1,000,000 / 3,000,000 aggregate
Vehicle Liability	1,000,000 per occurrence
Law Enforcement Liability	1,000,000 aggregate
Public Officials Liability	1,000,000 aggregate
Employment Practices Liability	1,000,000 aggregate
Umbrella	10,000,000 aggregate

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 pays the Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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**Note 8 – Interfund Transfers**

Transfers made during the year ended December 31, 2014 were as follows:

<b>Transfer To</b>	<b>Transfer From</b>				<b>Total</b>
	General	Safety Forces	Other Governmental Funds	Sewer	
<b>Major Funds</b>					
Safety Forces	\$3,509,604	\$0	\$0	\$0	\$3,509,604
General Obligation Bond Retirement	0	1,664	222,568	56,716	280,948
<i>Total Major Funds</i>	<u>3,509,604</u>	<u>1,664</u>	<u>222,568</u>	<u>56,716</u>	<u>3,790,552</u>
<b>Other Governmental Funds</b>					
Street Construction, Maintenance and Repair	383,300	0	61,470	0	444,770
Pleasant Valley Bridge	0	0	53,200	0	53,200
Recreation Improvement	10,722	0	0	0	10,722
<i>Total Other Governmental Funds</i>	<u>394,022</u>	<u>0</u>	<u>114,670</u>	<u>0</u>	<u>508,692</u>
<i>Total Governmental Activities</i>	<u>\$3,903,626</u>	<u>\$1,664</u>	<u>\$337,238</u>	<u>\$56,716</u>	<u>\$4,299,244</u>

The general fund made transfers to the safety forces and street construction, maintenance and repair special revenue funds and the recreation improvement capital projects fund to provide additional resources for current operations. The safety forces special revenue fund, other governmental funds and the sewer fund made transfers to the general obligation bond retirement fund for debt payment requirements. Other governmental funds made transfers to the street construction, maintenance and repair special revenue fund to close out the motor vehicle special revenue fund and to the pleasant valley bridge capital projects fund as an operating subsidy per ordinance.

**City of Willoughby Hills, Ohio**  
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**Note 9 - Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$279,700	\$0	\$0	\$279,700
Construction in progress	119,906	10,426	(130,332)	0
Total capital assets not being depreciated	<u>399,606</u>	<u>10,426</u>	<u>(130,332)</u>	<u>279,700</u>
Capital assets being depreciated				
Land Improvements	1,200,118	0	0	1,200,118
Buildings and Improvements	8,286,550	12,357	0	8,298,907
Machinery and Equipment	6,017,008	89,861	(332,231)	5,774,638
Infrastructure	5,701,697	326,090	0	6,027,787
Total capital assets being depreciated	<u>21,205,373</u>	<u>428,308</u>	<u>(332,231)</u>	<u>21,301,450</u>
Less: Accumulated depreciation				
Land Improvements	(778,341)	(48,717)	0	(827,058)
Buildings and Improvements	(3,135,386)	(167,409)	0	(3,302,795)
Machinery and Equipment	(3,596,771)	(284,590)	280,591	(3,600,770)
Infrastructure	(598,975)	(159,846)	0	(758,821)
Total accumulated depreciation	<u>(8,109,473)</u>	<u>(660,562) *</u>	<u>280,591</u>	<u>(8,489,444)</u>
Capital assets being depreciated, net	<u>13,095,900</u>	<u>(232,254)</u>	<u>(51,640)</u>	<u>12,812,006</u>
Governmental activities capital assets, net	<u>\$13,495,506</u>	<u>(\$221,828)</u>	<u>(\$181,972)</u>	<u>\$13,091,706</u>
<b>Business type activities:</b>				
Capital assets not being depreciated				
Land	\$268,613	\$0	\$0	\$268,613
Capital assets being depreciated				
Machinery and Equipment	409,695	105,797	(36,721)	478,771
Infrastructure	21,907,326	0	0	21,907,326
Total capital assets being depreciated	<u>22,317,021</u>	<u>105,797</u>	<u>(36,721)</u>	<u>22,386,097</u>
Less: Accumulated depreciation				
Machinery and Equipment	(208,673)	(43,141)	23,720	(228,094)
Infrastructure	(3,156,464)	(432,291)	0	(3,588,755)
Total accumulated depreciation	<u>(3,365,137)</u>	<u>(475,432)</u>	<u>23,720</u>	<u>(3,816,849)</u>
Capital assets being depreciated, net	<u>18,951,884</u>	<u>(369,635)</u>	<u>(13,001)</u>	<u>18,569,248</u>
Business-type activities capital assets, net	<u>\$19,220,497</u>	<u>(\$369,635)</u>	<u>(\$13,001)</u>	<u>\$18,837,861</u>

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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\*Depreciation expense was charged to governmental activities as follows:

General Government	\$105,680
Security of Persons and Property	
Police	88,313
Fire	111,823
Leisure Time Activities	80,031
Transportation	<u>274,715</u>
Total	<u><u>\$660,562</u></u>

## **Note 10 – Defined Benefit Pension Plans**

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

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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

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

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

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$226,164, \$242,421 and \$192,400, respectively.

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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For 2014, 92.22 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$13,982 made by the City and \$9,987 made by plan members.

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

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

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$271,026 and \$181,394 for the year ended December 31, 2014, \$214,462 and \$158,314 for the year ended December 31, 2013, and \$166,515 and \$136,712 for the year ended December 31, 2012. For 2014, 91.84 percent for police and 92.12 percent for firefighters has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

***Social Security***

As of December 31, 2014 the City's part-time firefighters are covered by Social Security rather than OPF. The employees' liability is 6.2 percent of wages paid.

**Note 11 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

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

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

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

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

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

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

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$37,694, \$18,648 and \$76,960, respectively. For 2014, 92.22 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.



**City of Willoughby Hills, Ohio**  
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***Police and Fire Pension Fund***

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

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The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$7,132 and \$3,859 for the year ended December 31, 2014, \$48,833 and \$28,090 for the year ended December 31, 2013, and \$88,155 and \$53,496 for the year ended December 31, 2012. For 2014, 91.84 percent for police and 92.12 percent for firefighters has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

**Note 12 – Other Employee Benefits**

***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 of 960 hours. Upon retirement, employees are paid for all vacation and sick days they have accumulated.

***Health Care Benefits***

Medical/surgical and prescription insurance is offered to employees through Kaiser. Vision is offered through Vision Service Plan (VSP), and dental insurance is offered through Principal Dental.

For Kaiser HMO in-network services there is a \$1,000/\$2,000 (single/family) deductible which is covered through a separate GAP insurance policy paid by the City by Assurant, and a co-payment of \$20.

For the Healthspan POS plan there is 3 tiers with deductibles ranging from \$1,000/\$2,000 to \$3,000/\$6,000 depending on the Tier that that service falls under. Healthspan POS deductible is covered up to \$1,000/\$2,000 by the Assurant GAP insurance, and employees opting for this coverage are responsible for the applicable deductible in excess of what the GAP insurance covers.

The cost per month for health care is as follows:

	Employee Only	Employee Plus Spouse	Employee Plus Children	Family
Healthspan POS	\$541.75	\$1,190.77	\$914.47	\$1,672.37
Healthspan HMO	493.42	1084.53	832.89	1523.18
VSP - Vision Plan	7.50	12.64	12.90	20.80
Principal Basic - Dental	14.32	29.17	38.60	55.86
Principal Buy-Up - Dental	33.80	68.77	82.47	122.28

The employee payroll deduction for the Healthspan HMO, VSP and Principal Base Dental is 13 percent of the above figures for union employees and 12 percent of the above figures for non-union employees. Employees opting for the Healthspan POS and Principal Buy-up plans pay the difference between the monthly premiums and the City contributions to the base plans.

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***Life Insurance***

Life insurance is provided to full-time employees through Principal Financial. Full-time employees receive \$25,000 term life coverage for \$6.90 per month. The City pays the total monthly premium.

**Note 13 - Contingencies**

***Grants***

The City receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

***Litigation***

The City of Willoughby Hills is a party to legal proceedings. The City 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.

**Note 14 – Note Debt**

A summary of note transactions for the year ended December 31, 2014 follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
<b>Governmental Activities</b>				
2013 - 1.00% Various Purpose Notes	\$350,000	\$0	(\$350,000)	\$0
2013 - 2.00% Various Purpose Notes	100,000	0	(100,000)	0
2014 - 1.00% Various Purpose Notes	0	200,000	0	200,000
<b>Total Governmental Activities</b>	<u>\$450,000</u>	<u>\$200,000</u>	<u>(\$450,000)</u>	<u>\$200,000</u>

All the notes are backed by the full faith and credit of the City of Willoughby Hills and mature within one year. The note liability is reflected in the funds which received the proceeds. The maturity date for the Various Purpose Notes is March 12, 2015.

**City of Willoughby Hills, Ohio**  
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**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>			
Fire Station Improvement - 2001	5.05%	\$1,153,000	2016
Municipal Complex Improvement - 2004	4.11%	1,200,000	2021
Fire Truck - 2005	4.16%	768,000	2016
<i>Ohio Public Works Commission Loans:</i>			
Rogers Road Slope Restoration - 2012	0.00%	50,000	2023
<i>Ohio Water Development Authority Loans:</i>			
Oak Street Sewers - 2002	3.64%	232,330	2022
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
Euclid Creek Tributary Watershed Area C - 2006	3.25%	3,244,473	2032
Woodlands Sanitary Sewers - 2006	3.25%	501,651	2027
Sewer Laterals - 2007	4.17%	140,985	2027
<i>Long-Term Notes Payable:</i>			
Various Purpose Notes - 2014	1.00%	800,000	2015
<b>Business Type Activity</b>			
<i>Ohio Water Development Authority Loans:</i>			
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
<i>Ohio Public Works Commission Loans:</i>			
Euclid Interceptor - 2005	0.00%	500,000	2026
Euclid Sewer Phase II - 2006	0.00%	249,000	2027

**City of Willoughby Hills, Ohio**  
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Changes in long-term obligations of the City during 2014 were as follows:

	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Due Within One Year
<b>Governmental Type Activities</b>					
<i>General Obligation Bonds</i>					
Fire Station Improvement	\$304,200	\$0	\$96,400	\$207,800	\$101,300
Municipal Complex Improvement	710,000	0	75,000	635,000	80,000
Fire Truck	268,000	0	86,000	182,000	89,000
<i>Total General Obligation Bonds</i>	<u>1,282,200</u>	<u>0</u>	<u>257,400</u>	<u>1,024,800</u>	<u>270,300</u>
<i>OPWC Loan</i>					
Rogers Road Slope Restoration	50,000	0	5,000	45,000	5,000
<i>OWDA Loans paid with Assessments</i>					
Oak Street Sewers	125,317	0	12,001	113,316	12,442
Euclid Creek Interceptor	490,020	0	35,666	454,354	36,740
Euclid Creek Sewers	4,238,569	0	334,099	3,904,470	167,497
Euclid Creek Tributary Watershed Area C	2,894,242	0	69,360	2,824,882	127,241
Woodlands Sanitary Sewers	383,430	0	22,024	361,406	22,745
Sewer Laterals	110,105	0	5,932	104,173	6,182
<i>Total OWDA Loans</i>	<u>8,241,683</u>	<u>0</u>	<u>479,082</u>	<u>7,762,601</u>	<u>372,847</u>
<i>Other Long-term Obligations</i>					
Notes Payable	1,000,000	800,000	1,000,000	800,000	0
Lake County Payable	24,230	0	12,115	12,115	12,115
Capital Leases Payable	79,941	0	25,137	54,804	26,618
Compensated Absences	668,287	382,682	367,959	683,010	102,601
<i>Total Other Long-term Obligations</i>	<u>1,772,458</u>	<u>1,182,682</u>	<u>1,405,211</u>	<u>1,549,929</u>	<u>141,334</u>
<b>Total Governmental Type Activities</b>	<u>\$11,346,341</u>	<u>\$1,182,682</u>	<u>\$2,146,693</u>	<u>\$10,382,330</u>	<u>\$789,481</u>
<b>Business-Type Activity</b>					
<i>OWDA Loans</i>					
Euclid Creek Interceptor	\$2,033,228	\$0	\$150,778	\$1,882,450	\$155,397
Euclid Creek Sewers	1,447,972	0	54,818	1,393,154	57,012
<i>Total OWDA Loans</i>	<u>3,481,200</u>	<u>0</u>	<u>205,596</u>	<u>3,275,604</u>	<u>212,409</u>
<i>OPWC Loans</i>					
Euclid Interceptor	312,500	0	25,000	287,500	25,000
Euclid Sewer Phase II	168,075	0	12,450	155,625	12,450
<i>Total OPWC Loans</i>	<u>480,575</u>	<u>0</u>	<u>37,450</u>	<u>443,125</u>	<u>37,450</u>
<b>Total Business-Type Activity</b>	<u>\$3,961,775</u>	<u>\$0</u>	<u>\$243,046</u>	<u>\$3,718,729</u>	<u>\$249,859</u>

**General Obligation and Special Assessment Bonds** Governmental general obligation bonds are paid from the general obligation bond retirement debt service fund from property taxes. Business-type general obligation bonds are paid from the sewer enterprise fund. Special assessment bonds are paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

**City of Willoughby Hills, Ohio**  
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**OWDA Loans** Ohio Water Development Authority (OWDA) loans consist of money owed to OWDA for sewer improvements. The OWDA loan for the Oak Street, Euclid Interceptor, Woodlands Sewers and Sewer Laterals loans are paid from the general obligation bond retirement fund with special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The OWDA loan for the City's portion of the Euclid Interceptor is paid from the sewer enterprise fund with user charges.

The City has entered into contractual agreements for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, OWDA will reimburse, advance or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and then add them to the total amounts of the final loans. The loan will not have an accurate payment schedule until finalized, and therefore one loan has not been included in the schedule of future debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan is as follows:

*Governmental Activities*

Euclid Creek Tributary Watershed Area C \$2,824,882

**OPWC Loans** OPWC loans consist of money owed to the Ohio Public Works Commission for the Rogers Road slope restoration and sewer improvements. The loans are interest free. OPWC loans will be paid from the road levy special revenue fund and the sewer enterprise fund.

The City has pledged future revenues to repay OWDA and OPWC loans in the sewer fund. The debt is payable solely from net revenues and is payable through 2027. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Total principal and interest remaining to be paid on finalized loans is \$4,375,800. Principal and interest paid for the current year and total net revenues were \$323,559 and \$813,643, respectively.

**Notes Payable** The note liability is reflected in the funds which received the proceeds. At December 31, 2014, the amount of long-term notes outstanding was \$800,000.

**Lake County Payable** The Lake County Payable consists of money owed to Lake County for the local share of the Pleasant Valley Road Bridge project. The payable will be paid from the general obligation bond retirement 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 drug enforcement administration special revenue fund.

**Compensated Absences** Compensated absences will be paid from the general fund.

The City's overall legal debt margin was \$24,998,466 with an unvoted debt margin of \$12,206,199 at December 31, 2014.

**City of Willoughby Hills, Ohio**  
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Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014, are as follows:

Governmental Activities:

Year	General Obligation Bonds		OWDA Loans		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2015	\$270,300	\$39,406	\$245,606	\$161,451	\$5,000
2016	284,500	27,048	338,588	151,706	5,000
2017	85,000	17,570	351,133	139,163	5,000
2018	90,000	13,974	362,647	127,645	5,000
2019	95,000	10,172	374,544	115,750	5,000
2020-2024	200,000	8,220	2,031,501	387,056	20,000
2025-2027	0	0	1,233,700	71,010	0
Total	<u>\$1,024,800</u>	<u>\$116,390</u>	<u>\$4,937,719</u>	<u>\$1,153,781</u>	<u>\$45,000</u>

Lake County Payable	
Year	Principal
2015	<u>\$12,115</u>

Business-Type Activity:

Year	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2015	\$212,409	\$100,969	\$37,450
2016	254,131	92,223	37,450
2017	260,676	85,677	37,450
2018	268,865	77,488	37,450
2019	277,310	69,042	37,450
2020-2024	1,522,831	208,932	187,250
2025-2027	479,382	22,740	68,625
Total	<u>\$3,275,604</u>	<u>\$657,071</u>	<u>\$443,125</u>

**City of Willoughby Hills, Ohio**  
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**Note 16 - Capital Leases - Lessee Disclosure**

The City has entered into capitalized leases for police radio equipment, a dump truck for the service department and a sewer maintenance vehicle. The leases meet the criteria of a capital lease. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds.

	Governmental Activities
Equipment	\$126,099
Less: Accumulated Depreciation	(50,440)
Total	\$75,659

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

	Governmental Activities
2015	\$29,846
2016	29,846
Total Mimimum Lease Payments	59,692
Less: Amount representing interest	(4,888)
Present Value of Mimimum Lease Payments	\$54,804

**Note 17 - Jointly Governed Organization**

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 112 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 on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Willoughby Hills did not contribute to NOPEC during 2014. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.



**City of Willoughby Hills, Ohio**  
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**Note 18 – 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 year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<i>Governmental Funds:</i>	
General	\$68,849
Safety Forces	54,927
Other Governmental	355,065
<i>Business-Type Funds</i>	
Sewer	52,820
Total	<u><u>\$531,661</u></u>

**Note 19 – Subsequent Events**

On March 10, 2015, the City retired \$1,000,000 in bond anticipation notes and issued \$800,000 in new notes. The new notes have a maturity date of March 10, 2016 and an interest rate of 1.0 percent.

On March 10, 2015, the City issued a \$110,000 note to finance the acquisition of a new ambulance. The new notes have a maturity date of March 10, 2016 and an interest rate of 1.0 percent.

On March 10, 2015, the City issued a \$150,000 note to finance the acquisition of vehicles and equipment for the service department. The new notes have a maturity date of March 10, 2016 and an interest rate of 1.0 percent.