

City of Garfield Heights, Ohio

**Basic Financial Statements
December 31, 2014**



Dave Yost • Auditor of State

City Council
City of Garfield Heights
5407 Turney Road
Garfield Heights, OH 44125

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

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

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

Dave Yost
Auditor of State

December 9, 2015

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City of Garfield Heights, Ohio

For The Year Ended December 31, 2014

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Independent Auditor's Report

Honorable Mayor and
Members of City Council
City of Garfield Heights, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Ohio (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Honorable Mayor and
Members of City Council
, Ohio

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cini & Paricki, Inc.

Cleveland, Ohio
September 14, 2015

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

This Discussion and Analysis of the City of Garfield Heights' 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 should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- Revenues exceeded expenses for the year 2014. This was primarily due to the decrease in long-term liabilities, as the City continues to pay down their debt.
- The City has various ongoing construction projects in 2014, the largest being the Granger/Transportation intersection improvement. This project makes up the majority of the construction in progress.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Garfield Heights 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, presenting both an aggregate view of the City's finances and a long-term view of those activities. 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.

Reporting the City of Garfield Heights 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 question, "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 companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

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

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services including police, fire, administration and all other departments. The City of Garfield Heights does not operate any business-type activities and has no component units.

Reporting the City of Garfield Heights' Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 10. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Garfield Heights, the City's major funds are the general fund and the bond retirement debt service fund. All other funds of the City are grouped together in the category of Other Governmental Funds.

Governmental Funds. All of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Garfield Heights' own programs.

The City of Garfield Heights as a Whole

Recall that the statement of net position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013.

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

(Table 1)			
Net Position			
Governmental Activities			
	2014	2013	Change
Assets			
Current and Other Assets	\$25,091,466	\$25,692,239	(\$600,773)
Capital Assets, Net	31,629,231	32,368,153	(738,922)
<i>Total Assets</i>	56,720,697	58,060,392	(1,339,695)
Deferred Outflows of Resources			
Deferred Charge on Refunding	251,342	272,414	(21,072)
Liabilities			
Current and Other Liabilities	3,008,163	3,412,497	404,334
Long-Term Liabilities:			
Due Within One Year	2,934,823	3,081,583	146,760
Due in More than One Year	24,353,850	26,822,596	2,468,746
<i>Total Liabilities</i>	30,296,836	33,316,676	3,019,840
Deferred Inflows of Resources			
Property Taxes	7,135,674	7,074,160	(61,514)
Payments in Lieu of Taxes	73,642	149,344	75,702
<i>Total Deferred Inflows of Resources</i>	7,209,316	7,223,504	14,188
Net Position			
Net Investment in Capital Assets	16,423,121	15,540,642	882,479
Restricted:			
Capital Projects	1,689,307	910,187	779,120
Debt Service	900,179	1,648,462	(748,283)
Street Lighting	167,529	264,813	(97,284)
Courts	192,281	375,024	(182,743)
Other Purposes	1,347,085	1,337,641	9,444
Unrestricted (Deficit)	(1,253,615)	(2,284,143)	1,030,528
<i>Total Net Position</i>	\$19,465,887	\$17,792,626	\$1,673,261

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the position of the City has increased as evidenced by the increase in net position. The decrease in assets is due to a decrease in income taxes receivable as the result of the City receiving large estimated payments for net profits from companies, as well as a decrease in capital assets, as depreciation exceeds current year additions. Liabilities decreased as the City continues to pay down their debt. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

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 shows total revenues, expenses and changes in net position for the fiscal years 2014 and 2013.

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

Table 2
Changes in Net Position

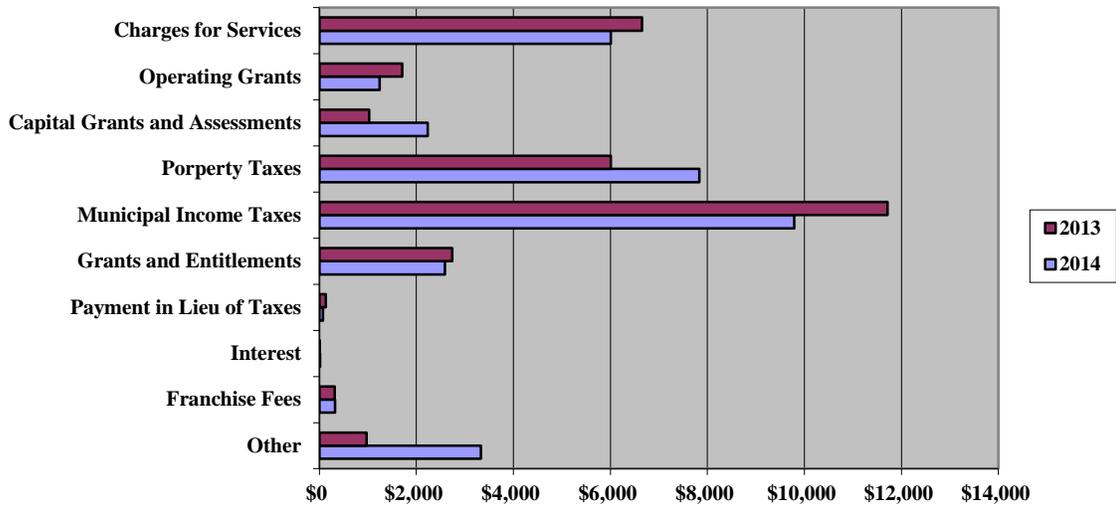
	Governmental Activities		
	2014	2013	Change
Revenues			
Program Revenues			
Charges for Services	\$6,008,869	\$6,654,436	(\$645,567)
Operating Grants	1,242,833	1,712,418	(469,585)
Capital Grants and Assessments	2,234,106	1,029,470	1,204,636
Total Program Revenues	9,485,808	9,396,324	89,484
General Revenues			
Property Taxes	7,831,617	6,009,145	1,822,472
Municipal Income Taxes	9,792,407	11,712,806	(1,920,399)
Grants and Entitlements not Restricted to Specific Programs	2,591,870	2,742,705	(150,835)
Payments in Lieu of Taxes	73,642	131,536	(57,894)
Interest	15,744	9,002	6,742
Franchise Fees	325,501	314,574	10,927
Other	401,423	977,313	(575,890)
Total General Revenues	21,032,204	21,897,081	(864,877)
Total Revenues	30,518,012	31,293,405	(775,393)
Program Expenses			
General Government	7,828,152	6,513,709	(1,314,443)
Security of Persons and Property	13,085,489	12,801,517	(283,972)
Public Health Services	1,022,681	568,202	(454,479)
Transportation	2,926,445	3,044,704	118,259
Community Development	275,296	499,748	224,452
Basic Utility Services	2,269,113	2,249,177	(19,936)
Leisure Time Activities	418,270	801,800	383,530
Interest and Fiscal Charges	1,019,305	1,040,812	21,507
Total Program Expenses	28,844,751	27,519,669	(1,325,082)
Excess Revenues over Expenses	1,673,261	3,773,736	(2,100,475)
Special Items	0	2,540,000	(2,540,000)
Change in Net Position	1,673,261	6,313,736	(4,640,475)
Net Position Beginning of Year	17,792,626	11,478,890	6,313,736
Net Position End of Year	\$19,465,887	\$17,792,626	\$1,673,261

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

Governmental Activities

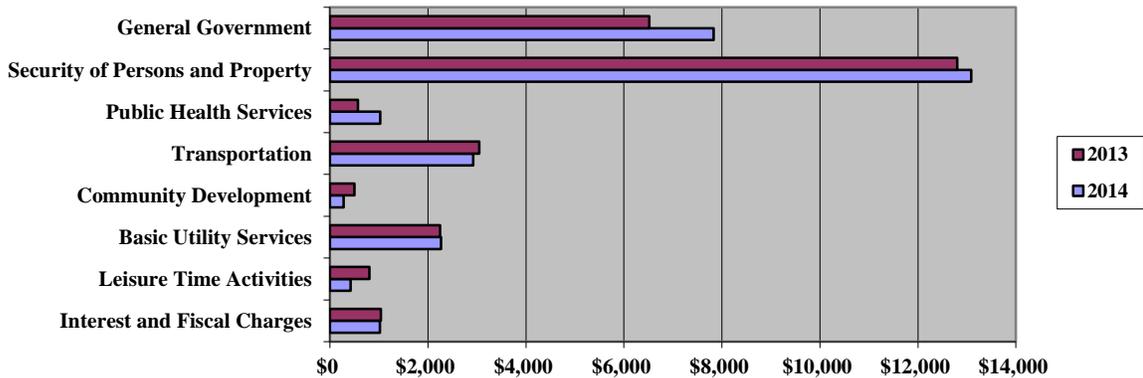
Several revenue sources fund our governmental activities, with income taxes being the largest. Municipal income taxes decreased significantly in 2014. The income tax rate of 2.0 percent, with a 100 percent credit for payments made to other cities, was approved by a vote of our citizens in 1982, which took effect in January of 1983. The decrease in income taxes is due to the City receiving large estimated payments for net profits from companies. Property taxes are the second largest source of revenue. Property taxes increased due to an increase in estimated collectible delinquencies. The increase in capital grants and assessments was due to additional OPWC funding for road and sewer projects.

Governmental Revenues (In Thousands)



Major expense activities, under the accrual basis of accounting, include security of persons and property expenses and general government programs. Overall expenses increased from 2013, as is shown in the chart below. The increase is due to an increase in salaries for all union and non-union employees, as well as an increase in health care costs.

Governmental Expenses (In Thousands)



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

The City's Funds

Information about the City's major governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund and the bond retirement debt service fund. Despite a significant decrease in property tax revenues, the general fund saw an increase in fund balance due to an increase in income tax revenues as well as to a drop in expenditures resulting from careful budgeting as revenue plus other financing sources continued to exceed expenditures plus other financing uses. The bond retirement fund saw an increase in fund balance due to a drop in 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 budget. All recommendations for any budget change come from the City Finance Director to the Finance Committee of Council for review before going to the whole Council for ordinance enactment on the change. In 2013, the City amended the form of its budgetary ordinances. In past years the City would budget to the individual line item thus not allowing for the Finance Director or the Departmental Director to make minor budget adjustments throughout the year. The City's 2014 budgetary ordinance and all amendments thereto, were compiled only to the object level, thus allowing for minor changes to be made within the object level grouping without the necessity of a formal ordinance to approve the change. With the general fund supporting many of the major activities such as the police and fire departments, as well as most legislative and executive activities, the general fund is monitored closely for possible revenue shortfalls or over spending by individual departments.

In 2014, the general fund's final revenue estimate was slightly higher than the original revenue estimate due to higher estimates in income tax revenue. The general fund's actual revenue plus other financing sources closely matched the final revenue estimate. Actual expenditures plus other financing uses were under the final budget due mainly to lower general government expenditures for materials and supplies and contractual services. Through careful monitoring by the Administration, the City was able to positively affect the general fund's balance for 2014.

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

Capital Assets and General Long-Term Obligations

Capital Assets

Table 3
 Capital Assets at Year End
 (Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$1,670,555	\$1,670,555
Construction in Progress	1,173,733	249,665
Buildings and Improvements	10,321,574	10,721,329
Vehicles	1,274,415	1,365,752
Machinery and Equipment	1,258,905	1,105,562
Furniture and Fixtures	139,073	102,440
Infrastructure	15,790,976	17,152,850
Total	\$31,629,231	\$32,368,153

Total capital assets for the City of Garfield Heights as of December 31, 2014 decreased from 2013 due to capital asset annual depreciation outpacing additions. Capital asset additions for 2014 consisted of additions to construction in progress, improvements, vehicles, equipment, and furniture and fixtures. The addition to construction relates primarily to the Granger/Transportation Intersection improvement project that began in 2014. See Note 10 for additional information on the City's capital assets.

Long Term Debt

The City's overall legal debt margin at December 31, 2014 was \$17,472,385. Table 4 indicates the total outstanding long-term debt of the City.

Table 4
 Long-Term Debt at Year End

	Governmental Activities	
	2014	2013
General Obligation Bonds	\$21,608,865	\$23,933,696
Special Assessment Bonds	190,708	338,120
Police and Fire Liability	544,268	560,705
Total	\$22,343,841	\$24,832,521

The police and fire loan shown in Table 4 above, in the amount of \$544,268 identifies the City's accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. Actual cash demands, for principal and interest for this obligation, total over \$40,000 annually through the year 2035. See Note 13 for detailed long-term debt information.

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

Current Financial Related Activities

Prior to the City of Garfield Heights being designated in Fiscal Emergency, the City had 20 years of progressive growth and well being. Unfortunately, due to the fiscal emergency situation that existed, many renovation and repair plans had to be postponed, however, in spite of the fiscal emergency condition the City was able to negotiate with potential new business owners regarding development and also was able to complete many needed infrastructure upgrades.

Since the City's release from fiscal emergency in 2013, the City continues to prioritize renovation and repair plans in regards to the City's infrastructure. We continue to negotiate with potential new business owners regarding development within the City.

In 2014, the City has continued to work with two major, future, private development opportunities within the I-480 Interchange Development District that the City is closely monitoring and working with the owners and developers to bring to fruition. The first of these includes the completion of the extension of Transportation Boulevard. through to Rockside Road, which is south of the I-480 Interchange. During 2011, the State of Ohio EPA lifted its ban on the continued construction of Transportation Boulevard. through to Rockside Road. This project began in the early 2000's and is a brown-field reclamation project. It will involve the construction of a roadway and future development, on private land, over a closed landfill. The State EPA halted the project around 2007 when complications arose with the then newly constructed City View retail shopping center. In the summer of 2011, the State of Ohio EPA issued a permit to the landowner for the continuation of the construction of the roadway on through to Rockside Road. The project began in 2012 and continued in 2013 with the accumulation of capping material on the site to meet the EPA permit rules for the development to proceed. During 2013, the City entered an agreement with Bohning Engineering for the development of plans and specifications for the grading and elevation requirements of the capping material. This project was scheduled to begin in the summer of 2014. But due to complications arising with the grading to EPA required capping and elevation specifications and the relocation to other areas of the site of a portion of the refuse this project has had little activity during 2014.

To the north of the I-480 Interchange, a new Garfield Heights developer, the Craig Realty Group, finalized the acquisition of all rights and ownership to approximately 60-80 acres of virgin land that was once referred to as the Bridgeview Development site in late 2013. The Craig Realty Group's future plans for this site have been identified as a retail outlet mall, to be completed in 2 - 3 phases. The City has been in discussions with this development group for over 3 years, and over the past year has been in negotiations pertaining to the potential financing options, available to the developer, where the City can be instrumental in aiding the development of this site.

In 2014, construction of the Granger/Transportation Blvd area began to aid in the development of this retail area. The widening of the road in and around this development site is to assist in the traffic flow for future development of this area. This project is hoped to be completed in 2015.

As is the case with many governmental agencies, dated infrastructure can be a problem. However, over the past 20 years, the City had taken a proactive stance in regards to dated infrastructure and plans to continue this effort of improving infrastructure as the need arises. At the beginning of the City's financial troubles, dating to 2008, the City's infrastructure improvements were put on temporary hold. During 2010 - 2012, the City was informed of major roadway improvements that would be taking place within the City. Through cooperation agreements with Cuyahoga County, the City of Cleveland's Water Department, the Ohio Public Works Commission (OPWC), and neighboring communities, various roadway projects have been completed and future projects are now planned.

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

In partnership with the Cuyahoga County Department of Public Services, many sewer system problem areas have been remedied between 2011 and 2013. In 2014, the City's submittal of the Multi-Street Construction Project Phase 1 was placed on OPWC's Contingency List. In late 2014, funding became available to proceed with this project. Therefore, in 2015, the City has plans to proceed with the Multi-Street Construction Project – Phase 1, Street Reconstuction and Waterline Replacement Project with funding through OPWC and remaining funds from the City of Cleveland's Division of Water. The project is estimated at a cost of \$3,828,408.

Contacting the City's Finance Department

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 financial information, contact Barbara Biro, Finance Director, City of Garfield Heights, 5407 Turney Road, Garfield Heights, Ohio 44125, phone: (216) 475-1100.

City of Garfield Heights, Ohio

Statement of Net Position

December 31, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,485,242
Cash and Cash Equivalents With Fiscal Agents	20,032
Accounts Receivable	1,297,703
Intergovernmental Receivable	1,954,703
Prepaid Items	34,312
Materials and Supplies Inventory	77,057
Municipal Income Taxes Receivable	2,710,167
Property Taxes Receivable	11,247,900
Special Assessments Receivable	190,708
Payments in Lieu of Taxes Receivable	73,642
Nondepreciable Capital Assets	2,653,304
Depreciable Capital Assets, Net	<u>28,975,927</u>
<i>Total Assets</i>	<u>56,720,697</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>251,342</u>
Liabilities	
Accounts Payable	543,532
Contracts Payable	70,828
Accrued Wages	255,954
Retainage Payable	55,620
Intergovernmental Payable	738,724
Unearned Revenue	985,000
Accrued Interest Payable	51,919
Claims Payable	306,586
Long-Term Liabilities:	
Due Within One Year	2,934,823
Due In More Than One Year	<u>24,353,850</u>
<i>Total Liabilities</i>	<u>30,296,836</u>
Deferred Inflows of Resources	
Property Taxes	7,135,674
Payments in Lieu of Taxes	<u>73,642</u>
<i>Total Deferred Inflows of Resources</i>	<u>7,209,316</u>
Net Position	
Net Investment in Capital Assets	16,423,121
Restricted for:	
Capital Projects	1,689,307
Debt Service	900,179
Street Lighting	167,529
Courts	192,281
Other Purposes	1,347,085
Unrestricted (Deficit)	<u>(1,253,615)</u>
<i>Total Net Position</i>	<u>\$19,465,887</u>

See accompanying notes to the basic financial statements

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants and Assessments	Governmental Activities
Governmental Activities:					
General Government	\$7,828,152	\$2,281,978	\$167,190	\$89,529	(\$5,289,455)
Security of Persons and Property	13,085,489	3,074,893	36,005	0	(9,974,591)
Public Health Services	1,022,681	176,186	0	0	(846,495)
Transportation	2,926,445	508	977,147	2,144,577	195,787
Community Development	275,296	72,053	0	0	(203,243)
Basic Utility Services	2,269,113	352,694	62,491	0	(1,853,928)
Leisure Time Activities	418,270	50,557	0	0	(367,713)
Interest and Fiscal Charges	1,019,305	0	0	0	(1,019,305)
<i>Totals</i>	<u>\$28,844,751</u>	<u>\$6,008,869</u>	<u>\$1,242,833</u>	<u>\$2,234,106</u>	<u>(19,358,943)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	5,986,782
Street Lighting	332,118
Police Pension	86,495
Fire Pension	86,495
Debt Service	1,050,858
Capital Outlay	288,869
Municipal Income Tax Levied for:	
General Purposes	7,977,634
Street Construction, Maintenance and Repair	568,892
Debt Service	663,709
Capital Outlay	582,172
Grants and Entitlements not Restricted to Specific Programs	2,591,870
Payments in Lieu of Taxes	73,642
Interest	15,744
Franchise Fees	325,501
Other	401,423
<i>Total General Revenues</i>	<u>21,032,204</u>
Change in Net Position	1,673,261
<i>Net Position Beginning of Year</i>	<u>17,792,626</u>
<i>Net Position End of Year</i>	<u>\$19,465,887</u>

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio

*Balance Sheet
Governmental Funds
December 31, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,409,655	\$131,860	\$2,816,232	\$7,357,747
Cash and Cash Equivalents With Fiscal Agents	0	0	20,032	20,032
Accounts Receivable	1,292,043	0	5,660	1,297,703
Intergovernmental Receivable	1,159,330	95,535	699,838	1,954,703
Prepaid Items	31,890	0	2,422	34,312
Materials and Supplies Inventory	46,325	0	30,732	77,057
Payments in Lieu of Taxes Receivable	0	0	73,642	73,642
Municipal Income Taxes Receivable	2,195,235	189,712	325,220	2,710,167
Property Taxes Receivable	8,605,582	1,505,137	1,137,181	11,247,900
Special Assessments Receivable	0	190,708	0	190,708
Restricted Assets: Equity in Pooled Cash and Cash Equivalents	127,495	0	0	127,495
<i>Total Assets</i>	<u>\$17,867,555</u>	<u>\$2,112,952</u>	<u>\$5,110,959</u>	<u>\$25,091,466</u>
Liabilities				
Accounts Payable	\$274,746	\$0	\$268,786	\$543,532
Contracts Payable	50,588	0	20,240	70,828
Accrued Wages	233,442	0	22,512	255,954
Retainage Payable	0	0	55,620	55,620
Intergovernmental Payable	579,121	0	159,603	738,724
Unearned Revenue	602,300	0	382,700	985,000
Claims Payable	292,277	0	14,309	306,586
<i>Total Liabilities</i>	<u>2,032,474</u>	<u>0</u>	<u>923,770</u>	<u>2,956,244</u>
Deferred Inflows of Resources				
Property Taxes	5,459,317	954,921	721,436	7,135,674
Payments in Lieu of Taxes	0	0	73,642	73,642
Unavailable Revenue	6,464,807	951,285	1,087,489	8,503,581
<i>Total Deferred Inflows of Resources</i>	<u>11,924,124</u>	<u>1,906,206</u>	<u>1,882,567</u>	<u>15,712,897</u>
Fund Balances				
Nonspendable	205,710	0	33,154	238,864
Restricted	0	206,746	2,570,161	2,776,907
Assigned	3,705,247	0	0	3,705,247
Unassigned (Deficit)	0	0	(298,693)	(298,693)
<i>Total Fund Balances</i>	<u>3,910,957</u>	<u>206,746</u>	<u>2,304,622</u>	<u>6,422,325</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$17,867,555</u>	<u>\$2,112,952</u>	<u>\$5,110,959</u>	<u>\$25,091,466</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$6,422,325
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,629,231
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	4,112,226
Municipal Income Taxes	1,712,488
Intergovernmental	1,417,013
Charges for Services	1,071,146
Special Assessments	190,708
Total	8,503,581
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(51,919)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.	251,342
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(21,608,865)
Special Assessment Bonds	(190,708)
Compensated Absences	(4,160,889)
Claims Payable	(368,188)
Police and Fire Liability	(544,268)
Capital Leases	(415,755)
Total	(27,288,673)
<i>Net Position of Governmental Activities</i>	\$19,465,887

See accompanying notes to the basic financial statements

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$6,354,069	\$1,121,182	\$847,047	\$8,322,298
Municipal Income Taxes	9,325,635	780,202	1,350,770	11,456,607
Special Assessments	0	187,276	0	187,276
Charges for Services	4,109,279	0	308	4,109,587
Contributions and Donations	0	0	225	225
Fees, Licenses and Permits	382,728	0	0	382,728
Fines and Forfeitures	463,658	0	627,442	1,091,100
Intergovernmental	2,237,176	507,976	3,438,591	6,183,743
Interest	13,914	1,319	511	15,744
Franchise Fees	325,501	0	0	325,501
Payments in Lieu of Taxes	0	0	73,642	73,642
Other	176,250	0	225,173	401,423
<i>Total Revenues</i>	<u>23,388,210</u>	<u>2,597,955</u>	<u>6,563,709</u>	<u>32,549,874</u>
Expenditures				
Current:				
General Government	6,740,952	23,784	798,105	7,562,841
Security of Persons and Property	11,439,163	0	1,621,332	13,060,495
Public Health Services	994,469	0	0	994,469
Transportation	0	0	1,608,680	1,608,680
Community Development	268,660	0	5,381	274,041
Basic Utility Services	1,326,661	0	801,356	2,128,017
Leisure Time Activities	325,962	0	0	325,962
Capital Outlay	0	0	1,475,311	1,475,311
Debt Service:				
Principal Retirement	0	2,455,000	99,587	2,554,587
Interest and Fiscal Charges	21,587	965,749	33,773	1,021,109
<i>Total Expenditures</i>	<u>21,117,454</u>	<u>3,444,533</u>	<u>6,443,525</u>	<u>31,005,512</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,270,756</u>	<u>(846,578)</u>	<u>120,184</u>	<u>1,544,362</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	299,616	299,616
Transfers In	517,920	1,099,000	1,313,644	2,930,564
Transfers Out	(1,313,644)	(428,400)	(1,188,520)	(2,930,564)
<i>Total Other Financing Sources (Uses)</i>	<u>(795,724)</u>	<u>670,600</u>	<u>424,740</u>	<u>299,616</u>
<i>Net Change in Fund Balances</i>	1,475,032	(175,978)	544,924	1,843,978
<i>Fund Balances Beginning of Year</i>	<u>2,435,925</u>	<u>382,724</u>	<u>1,759,698</u>	<u>4,578,347</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,910,957</u></u>	<u><u>\$206,746</u></u>	<u><u>\$2,304,622</u></u>	<u><u>\$6,422,325</u></u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$1,843,978

*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 Assets Additions	1,570,396	
Current Year Depreciation	(2,309,318)	
Total		(738,922)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(490,681)	
Municipal Income Taxes	(1,664,200)	
Intergovernmental	(155,023)	
Charges for Services	425,454	
Special Assessments	(147,412)	
Total		(2,031,862)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,554,587

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued Interest on Bonds	5,633	
Amortization of Deferred Charge on Refunding	(21,072)	
Amortization of Bond Discount	(1,417)	
Amortization of Bond Premium	18,660	
Total		1,804

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	275,529	
Claims	67,763	
Total		343,292

Other financing sources and uses in the governmental funds, such as inception of capital lease, increase long-term liabilities in the statement of net position. (299,616)

Change in Net Position of Governmental Activities \$1,673,261

See accompanying notes to the basic financial statements

City of Garfield Heights, 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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$6,292,426	\$6,308,010	\$6,308,231	\$221
Municipal Income Taxes	7,401,750	8,550,188	8,565,494	15,306
Charges for Services	3,251,783	4,172,050	4,189,096	17,046
Fees, Licenses and Permits	306,076	387,461	394,301	6,840
Fines and Forfeitures	358,756	462,166	462,166	0
Intergovernmental	1,734,479	2,165,752	2,216,951	51,199
Interest	10,801	12,637	13,914	1,277
Franchise Fees	252,670	325,500	325,501	1
Other	82,756	157,524	146,191	(11,333)
<i>Total Revenues</i>	<u>19,691,497</u>	<u>22,541,288</u>	<u>22,621,845</u>	<u>80,557</u>
Expenditures				
Current:				
General Government	6,575,775	7,563,798	7,148,352	415,446
Security of Persons and Property	10,945,339	11,531,790	11,288,037	243,753
Public Health Services	200,997	214,300	206,633	7,667
Community Development	246,975	263,549	253,173	10,376
Basic Utility Services	1,625,000	1,625,000	1,563,728	61,272
<i>Total Expenditures</i>	<u>19,594,086</u>	<u>21,198,437</u>	<u>20,459,923</u>	<u>738,514</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>97,411</u>	<u>1,342,851</u>	<u>2,161,922</u>	<u>819,071</u>
Other Financing Sources (Uses)				
Transfers In	0	24,120	89,520	65,400
Transfers Out	(2,804,729)	(1,631,725)	(1,610,485)	21,240
<i>Total Other Financing Sources (Uses)</i>	<u>(2,804,729)</u>	<u>(1,607,605)</u>	<u>(1,520,965)</u>	<u>86,640</u>
<i>Net Change in Fund Balance</i>	(2,707,318)	(264,754)	640,957	905,711
<i>Fund Balance Beginning of Year</i>	2,485,303	2,485,303	2,485,303	0
Prior Year Encumbrances Appropriated	491,149	491,149	491,149	0
<i>Fund Balance End of Year</i>	<u>\$269,134</u>	<u>\$2,711,698</u>	<u>\$3,617,409</u>	<u>\$905,711</u>

See accompanying notes to the basic financial statements

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

Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,361,635
Cash and Cash Equivalents in Segregated Accounts	<u>1,207,074</u>
<i>Total Assets</i>	<u><u>\$4,568,709</u></u>
 Liabilities	
Intergovernmental Payable	\$4,289,626
Due to Others	<u>279,083</u>
<i>Total Liabilities</i>	<u><u>\$4,568,709</u></u>

See accompanying notes to the basic financial statements

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

Note 1 - Description of the City and Reporting Entity

The City of Garfield Heights (the City) is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on November 6, 1956. The City is governed under the mayor-council form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative and executive purposes and performs the judicial functions of the City. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also executes all contracts, conveyances and evidences of indebtedness of the City. The Mayor appoints the law director, finance director and service director with approval from Council.

Legislative authority is vested in a seven member council elected from wards. Council members are elected to two-year terms. The seven Council members elect one of their own to act as the President of Council and the President Pro-Tem. Council enacts ordinances and resolutions relating to tax levies and appropriates and borrows money.

The Board of Control approves all bids and is made up of four Council members (the president of Council and the Finance Committee) and four administrators (the Mayor, law director, finance director and service director).

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Garfield Heights this includes the agencies and departments that provide the following services: police and fire protection, emergency medical services, municipal court, parks, recreation, planning, zoning, street maintenance and repairs.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations 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 and the First Suburbs Consortium of Northeast Ohio Council of Governments, jointly governed organizations and the Jefferson Health Plan, an insurance purchasing pool. Information about these organizations is presented in Notes 16 and 17 to the basic financial statements.

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Garfield Heights have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting 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.

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. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are 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 function is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to 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 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. The City uses two categories of funds, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets 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

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

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 Garfield Heights and/or the general laws of Ohio.

Bond Retirement Fund This fund is used to account for and report the accumulation of restricted debt proceeds, and the payment of, general long-term and special assessment principal, interest and related costs.

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

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The City's agency funds are purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations. The City's agency funds account for the municipal court's resources which are due to other cities, for payments in lieu of taxes collected on the Transportation-Antenucci Boulevard tax increment financing, which are due to the Garfield Heights City School District and the Cleveland Cuyahoga County Port Authority, and monies from City of Cleveland held for waterline improvements.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the 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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in

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

the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 8) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 taxes, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees and rentals.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue 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, income taxes, intergovernmental grants, charges for services and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Expenses/Expenditures

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

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

Budgetary 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 for all funds.

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 City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The City utilizes a financial institution to service escrowed lease proceeds until payment is made in full. The balances in these accounts are presented in the statements as "cash and cash equivalents with fiscal agents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented as "cash and cash equivalents in segregated accounts" and represent deposits.

During 2014, the City invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office. STAR Ohio 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 Investments 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 Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amounted to \$13,914, which includes \$4,396 assigned from other City funds.

For presentation on the financial statements, investments of the cash management pool and investments not purchased from the pool with an original maturity of three months or less are considered to be cash equivalents.

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.

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. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

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 or 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 those assets not specifically related to activities reported in the proprietary funds. These assets 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure 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 does not have a capitalization threshold. 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.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
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Description	Estimated Lives
Buildings	10 - 45 years
Improvements Other than Buildings	10 - 45 years
Vehicles	6 - 20 years
Machinery and Equipment	1 - 20 years
Furniture and Fixtures	5 - 20 years
Infrastructure	25 - 50 years

Infrastructure consists of roadways, sidewalks and trails, sanitary sewers and storm sewers and includes infrastructure acquired prior to December 31, 1980.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive the compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the City's termination policy. The City records a liability for accumulated unused vacation and sick leave for all employees after one year of service.

Overtime is paid in the period in which it was worked, except for the Police and Fire Department employees, who may accumulate overtime within limits built into the contracts. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

Accrued and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the 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:

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.

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

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 legally 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 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. Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2014's appropriated budget and for the recreation and nutrition programs.

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 fund balance.

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for law enforcement and education, community development and street repair and maintenance.

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

City of Garfield Heights, Ohio
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Internal Activity

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. Interfund payments for 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are receipted in the year the bonds are issued.

Deferred Charge on Refunding

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

Estimates

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

Note 3 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual are presented in the basic financial statements for the general fund. 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).

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
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3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Budgetary revenues and expenditures of the recreation and federal nutrition funds 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 fund.

Net Change in Fund Balance	
GAAP Basis	\$1,475,032
Net Adjustment for Revenue Accruals	569,536
Perspective Difference:	
Recreation	(140,863)
Federal Nutrition	(7,035)
Net Adjustment for Expenditure Accruals	(805,059)
Encumbrances	<u>(450,654)</u>
Budget Basis	<u><u>\$640,957</u></u>

Note 4 - 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:

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
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Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepaid Items	\$31,890	\$0	\$2,422	\$34,312
Materials and Supplies Inventory	46,325	0	30,732	77,057
Unclaimed Monies	127,495	0	0	127,495
<i>Total Nonspendable</i>	205,710	0	33,154	238,864
<i>Restricted for</i>				
Municipal Court	0	0	206,403	206,403
Public Safety	0	0	341,541	341,541
Street Maintenance	0	0	415,049	415,049
Community Development	0	0	8,800	8,800
Debt Service Payments	0	206,746	0	206,746
Capital Improvements	0	0	1,598,368	1,598,368
<i>Total Restricted</i>	0	206,746	2,570,161	2,776,907
<i>Assigned to</i>				
Recreation and Nutrition Programs	127,631	0	0	127,631
Purchases on Order	182,129	0	0	182,129
2015 Appropriations	3,395,487	0	0	3,395,487
<i>Total Assigned</i>	3,705,247	0	0	3,705,247
<i>Unassigned (Deficit)</i>	0	0	(298,693)	(298,693)
<i>Total Fund Balances</i>	\$3,910,957	\$206,746	\$2,304,622	\$6,422,325

Note 5 – Fund Deficits

The following funds had deficit fund balances as of December 31, 2014:

Special Revenue Funds

Street Lighting	\$35,006
Police Pension	57,421
Fire Pension	59,815

Capital Projects Fund

Permanent Improvement	146,451
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The special revenue and the capital projects funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

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

Note 6 - Deposits and Investments

The City is a charter City and has elected to follow the provisions of State statute. State statutes classify monies held by the City into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies can 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

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

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. Obligation 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 possession of an outside party. At year end, \$1,564,656 of the City's bank balance of \$11,159,513 was uninsured and uncollateralized. Although the securities were held by the pledging financial 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 Federal Deposit Insurance Corporation.

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

Investments

At December 31, 2014, the City had \$1,503,400 invested in STAR Ohio with an average maturity of 50.1 days.

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 investment policy that addresses credit risk.

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

Note 7 - Contingencies

Grants

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

Litigation

The City is a party to various legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Note 8 – Receivables

Receivables at December 31, 2014 consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, accounts, intergovernmental and special assessments.

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

Special assessments expected to be collected in more than one year amount to \$90,552 in the bond retirement fund.

Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of the 2013 taxes. Property tax payments received during 2014 for tangible personal property (other than public utility property) are for 2014 taxes.

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

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 Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The full tax rate for all City operations for the year ended December 31, 2014, was \$78.26 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based as follows:

	Assessed Valuation
Real Estate	
Residential/Agriculture	\$266,576,930
Commercial Industrial/Public Utility	90,503,090
Tangible Personal Property	
Public Utility	11,328,850
Total	\$368,408,870

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Garfield Heights and periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a 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 all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. 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. By City ordinance, income tax proceeds are credited to the following funds: 81 percent to the general fund, 6 percent to the street construction maintenance and repair special revenue fund, 7 percent to the bond retirement debt service fund and 6 percent to the storm and sanitary sewer capital projects fund.

Payments in Lieu of Taxes

According to State law, the City has established a tax incremental financing district within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owner has 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 owner’s 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. 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. A portion of the payments in lieu of taxes the City receives is due to the Garfield Heights City School District and the Cleveland Cuyahoga County Port Authority. The payable for this portion has been reported in the City’s agency fund.

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

Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

	Amount
Homestead and Rollback	\$671,194
Gas Tax	403,939
Local Government	395,665
Garfield Heights Municipal Court	170,251
Motor Vehicle License	97,093
Permissive Tax	83,913
CAT Tax	62,630
Grants	45,889
Cuyahoga County	12,607
Public Utility Reimbursement	5,778
Miscellaneous	3,054
Title III	2,690
<i>Total Intergovernmental Receivables</i>	<i>\$1,954,703</i>

Note 9 – Interfund Transfers

Transfer To	Transfer From			Totals
	General	Bond Retirement	Other Governmental Funds	
General	\$0	\$428,400	\$89,520	\$517,920
Bond Retirement	0	0	1,099,000	1,099,000
Other Governmental Funds	1,313,644	0	0	1,313,644
Totals	\$1,313,644	\$428,400	\$1,188,520	\$2,930,564

During 2014, the general fund transferred out \$1,313,644 to various other governmental funds. The general fund transfers to the police and fire pension special revenue funds of \$600,194 and \$623,427, respectively, were made because the property tax received by those funds are not enough to meet the annual liability and payment to the police and fire pension systems. The police and fire pension special revenue funds were set up to correctly identify a small percentage of the property tax revenues that were earmarked inside millage for the payment of pension amounts for the City’s police and fire safety officers. After these tax revenues are received from the County through the property tax distributions, any remaining balance needed to pay the pension payments is transferred to these funds from the general fund. The general fund transfer to the Garfield Heights family resource center special revenue fund of \$90,023 was to provide additional resources for current operations.

The bond retirement debt service fund transferred \$428,400 to the general fund for debt payments. The bond retirement debt service fund received transfers of \$93,000 from the street construction maintenance and repair special revenue fund, \$161,000 from the motor vehicle license tax special revenue fund, as well as \$570,000 from the storm and sanitary sewer and \$275,000 from the permanent improvement capital projects funds to support payments on long-term debt.

The FEMA and municipal court special projects special revenue fund transferred \$24,120 and \$65,400, respectively, to the general fund for reimbursement of program expenditures.

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

Note 10 - Capital Assets

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

	Balance 12/31/13	Additions	Deductions	Balance 12/31/14
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$1,670,555	\$0	\$0	\$1,670,555
Construction in Progress	249,665	923,068	(189,984)	982,749
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,920,220</u>	<u>923,068</u>	<u>(189,984)</u>	<u>2,653,304</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings	15,619,214	0	0	15,619,214
Improvements Other than Buildings	4,466,268	37,130	0	4,503,398
Vehicles	5,681,076	189,622	(20,392)	5,850,306
Machinery and Equipment	5,357,252	558,341	(60,499)	5,855,094
Furniture and Fixtures	702,588	52,219	(239)	754,568
Infrastructure				
Roads	29,652,567	0	0	29,652,567
Sidewalks and Trails	150,000	0	0	150,000
Sanitary Sewers	4,520,055	0	0	4,520,055
Storm Sewers	1,965,471	0	0	1,965,471
<i>Total Capital Assets, Being Depreciated</i>	<u>68,114,491</u>	<u>837,312</u>	<u>(81,130)</u>	<u>68,870,673</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(6,717,539)	(323,278)	0	(7,040,817)
Improvements Other than Buildings	(2,646,614)	(113,607)	0	(2,760,221)
Vehicles	(4,315,324)	(280,959)	20,392	(4,575,891)
Machinery and Equipment	(4,251,690)	(215,014)	60,499	(4,406,205)
Furniture and Fixtures	(600,148)	(15,586)	239	(615,495)
Infrastructure				
Roads	(17,245,469)	(1,223,664)	0	(18,469,133)
Sidewalks and Trails	(3,750)	(7,500)	0	(11,250)
Sanitary Sewers	(1,311,781)	(90,401)	0	(1,402,182)
Storm Sewers	(574,243)	(39,309)	0	(613,552)
<i>Total Accumulated Depreciation</i>	<u>(37,666,558)</u>	<u>(2,309,318)</u>	<u>81,130</u>	<u>(39,894,746)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>30,447,933</u>	<u>(1,472,006)</u>	<u>0</u>	<u>28,975,927</u>
<i>Capital Assets, Net</i>	<u>\$32,368,153</u>	<u>(\$548,938)</u>	<u>(\$189,984)</u>	<u>\$31,629,231</u>

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

Depreciation expense was charged to governmental functions as follows:

General Government	\$360,000
Security of Persons and Property	347,852
Public Health Services	36,663
Transportation	1,320,758
Basic Utility Services	148,742
Leisure Time Activities	95,303
Total Depreciation Expense	<u>\$2,309,318</u>

Note 11 – Other Employee Benefits

Compensated Absences

Employees earn vacation leave at different rates which are affected by the employee's length of service. Once vacation leave is earned it cannot be taken away from the employee. Within the labor contracts and/or agreements for the Police, Firemen, Dispatchers and Jailers, and administrative employees of the City there is language allowing the carry-over of vacation credits into future periods, through the written approval of either the department chief, director or the Mayor. The only limits placed upon any of these classes of employees is the limit in the fire contract that the City will only pay out at retirement a maximum of 6 weeks of vacation credits. In an effort to avoid many vacation accruals the City has agreed in negotiations to the right of the employee to be paid for unused vacation leave during the month of December. At retirement or separation from City employment the employee would be entitled to payment at the current rate of pay for any earned but unused vacation credits they may have.

Overtime is paid for in the period in which it is worked, except for the Police and Fire Department and AFSCME employees, who may accumulate overtime within limits built into the contracts. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

Sick leave may be accumulated without limit. Upon retirement, death, or leaving City service, employees are entitled to payment of any accumulated but unused sick leave as follows: Fire Department employees at 50 percent, provided the employee had at least 15 years of service with the City; all other employees at 50 percent of accumulated but unused sick leave, without any service requirement.

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the City contracted with Ohio Plan Risk Management Inc. for various types of insurance as follows:

City of Garfield Heights, Ohio
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Type	Coverage	Per Occurrence
Property	\$32,700,262	
Inland Marine	2,427,182	
Comprehensive General Liability	6,000,000	\$8,000,000
Police Professional Liability	6,000,000	8,000,000
Employment Practices	6,000,000	6,000,000
Vehicle Liability	6,000,000	
Public Officials Liability	6,000,000	8,000,000

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded this coverage in any of the past three years.

For 2014, the City participated in the Jefferson Health Plan, an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic hospital/medical/surgical plans with deductibles of \$200 per person and \$400 per family, with maximum out of pocket expenses, not including the deductibles, of \$0 per individual or family coverage for network, and \$800 and \$1,200 per individual and family, respectively, for out of network. Medical Mutual of Ohio reviews all claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of \$160,000 per employee. The benefit is paid by the fund that pays the salary for the employee and is based on historical cost information.

A health benefit claims liability of \$306,586 has been accrued in the general fund, street maintenance and repair, state highway, municipal court special projects and family resource center special revenue funds and storm and sewer and municipal court improvement capital projects funds based on an estimate by the third party administrator. The liability reported at December 31, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

The City participates in the State Workers' Compensation retrospective rating and payment system. Once the City receives notice of the 2014 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2014. The minimum premium portion of intergovernmental payable is \$212,705 and the actual claim costs are \$22,463. The maintenance of these benefits is accounted for in the general fund. Incurred but not reported claims and premium of \$435,951 have been accrued as a liability at December 31, 2014 based on an estimate provided by Comp Management, Inc., the City's third party administrator. Changes in the claims liability amount for health and workers' compensation in 2013 and 2014 were:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Change in Estimate	Balance at End of Year
2013	\$607,137	\$3,211,620	\$2,805,061	\$29,392	\$1,043,088
2014	1,043,088	2,071,420	2,537,182	97,448	674,774

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

Note 13 - Long-Term Obligations

Changes in long-term obligations of the City during the year ended December 31, 2014 were as follows:

	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
2004 4.75% \$9,900,000					
Various Improvements	\$7,043,000	\$0	(\$495,000)	\$6,548,000	\$519,000
2006 4.00% \$1,885,000					
Various Purpose Improvement					
Refunding Bonds	265,000	0	(265,000)	0	0
2006 4.00% \$2,307,466					
Various Purpose Refunding Bonds	761,880	0	(257,588)	504,292	264,844
2006 4.00% \$2,790,000					
Street Improvement	1,890,000	0	(175,000)	1,715,000	185,000
Unamortized Premium	77,057	0	(8,568)	68,489	0
2010 3.00% Various Improvement					
Serial Bonds	1,310,000	0	0	1,310,000	0
Term Bonds	6,810,000	0	(895,000)	5,915,000	910,000
Unamortized Premium	151,479	0	(10,092)	141,387	0
2012 3.00% \$5,775,000					
Various Purpose Improvement					
Refunding Bonds					
Serial Bonds	3,295,000	0	(220,000)	3,075,000	355,000
Term Bonds	2,350,000	0	0	2,350,000	0
Unamortized Discount	(19,720)	0	1,417	(18,303)	0
Total General Obligation Bonds	23,933,696	0	(2,324,831)	21,608,865	2,233,844
Special Assessment Bonds					
2006 4.00% \$325,000					
Various Purpose Improvement					
Refunding Bonds	50,000	0	(50,000)	0	0
2006 4.00% \$872,534					
Various Purpose Refunding Bonds	288,120	0	(97,412)	190,708	100,156
Total Special Assessment Bonds	338,120	0	(147,412)	190,708	100,156
Other Long-Term Liabilities					
Compensated Absences Payable	4,436,418	204,528	(480,057)	4,160,889	200,937
Worker's Compensation Claims Payable	435,951	144,942	(212,705)	368,188	261,017
Police and Fire Pension Liability	560,705	0	(16,437)	544,268	17,143
Capital Leases Payable	199,289	299,616	(83,150)	415,755	121,726
Total Other Long-Term Liabilities	5,632,363	649,086	(792,349)	5,489,100	600,823
Total Governmental Activities	\$29,904,179	\$649,086	(\$3,264,592)	\$27,288,673	\$2,934,823

General obligation bonds will be paid from the general bond retirement debt service fund. Special assessment bonds will be 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. Compensated absences and claims will be paid from the general fund, street, construction, maintenance and repair, state highway, municipal court special projects and family resource center special revenue funds and the storm and sewer and municipal court improvement capital projects funds. The police and fire pension liability will be paid from taxes receipted in the police and fire pension special revenue funds. This includes an accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters.

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

On October 30, 2012, the City issued \$5,775,000 in general obligation bonds for the purpose of refunding general obligation issues in order to take advantage of lower interest rates. The general obligation bonds consist of serial and term bonds in the amounts of \$3,425,000 and \$2,350,000, respectively. The bonds were issued for a fifteen year period with a final maturity on December 1, 2027.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$2,350,000
2023	\$430,000
2024	450,000
2025	470,000
2026	490,000
Total mandatory sinking fund payments	1,840,000
Amount due at stated maturity	510,000
Total	\$2,350,000
<i>Stated Maturity</i>	<i>12/1/2027</i>

On November 10, 2010, the City issued \$10,625,000 in general obligation bonds for the purpose of various capital improvements and to refund general obligation issues in order to take advantage of lower interest rates. The general obligation bonds consist of serial and term bonds in the amounts of \$1,310,000 and \$9,315,000, respectively. The bonds were issued for an eighteen year period with a final maturity on December 1, 2028.

The term bonds maturing on December 1, 2016, 2020, 2025 and 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue	Issue	Issue	Issue
	\$5,260,000	\$725,000	\$2,130,000	\$1,200,000
2015	\$910,000	\$0	\$0	\$0
2019	0	355,000	0	0
2021	0	0	385,000	0
2022	0	0	405,000	0
2023	0	0	425,000	0
2024	0	0	445,000	0
2026	0	0	0	380,000
2027	0	0	0	400,000
Total mandatory sinking fund payments	910,000	355,000	1,660,000	780,000
Amount due at stated maturity	950,000	370,000	470,000	420,000
Total	\$1,860,000	\$725,000	\$2,130,000	\$1,200,000
<i>Stated Maturity</i>	<i>12/1/2016</i>	<i>12/1/2020</i>	<i>12/1/2025</i>	<i>12/1/2028</i>

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

The City's overall legal debt margin was \$17,472,385 at December 31, 2014. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014 are as follows:

	General Obligation Bonds		Special Assessment Bonds		Police and Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$2,233,844	\$866,788	\$100,156	\$7,628	\$17,143	\$22,951
2016	2,290,448	785,550	90,552	3,622	17,880	22,215
2017	1,798,000	705,996	0	0	18,647	21,447
2018	1,852,000	640,529	0	0	19,448	20,646
2019	1,588,000	569,370	0	0	20,283	19,811
2020-2024	8,515,000	1,793,019	0	0	115,259	85,213
2025-2029	3,140,000	331,100	0	0	142,231	58,241
2030-2034	0	0	0	0	175,515	24,955
2035	0	0	0	0	17,862	380
Totals	\$21,417,292	\$5,692,352	\$190,708	\$11,250	\$544,268	\$275,859

Note 14 – Short-Term Obligations

The City's short-term note activity is as follows:

	Balance 12/31/13	Additions	Reductions	Balance 12/31/14
	2009 Local Government Borrowing	\$420,000	\$0	\$420,000
Unamortized Discount	(16,687)	0	(16,687)	0
Total Short-Term Obligations	\$403,313	\$0	\$403,313	\$0

On October 29, 2009, the City issued \$3,600,000 in local government borrowing notes to eliminate deficit fund balances. These notes were issued at a discount of \$100,116. The note was issued at a 4 percent interest rate and matured on April 15, 2014. Principal and interest requirements to retire the local government note at December 31, 2014 are \$420,000 and \$8,400.

Note 15 - Capital Leases - Lessee Disclosure

In prior years, the City entered into a lease agreements for a phone system. During 2014, the City entered into capitalized leases for a front end loader and police vehicles. 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.

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

Capital assets acquired by lease currently being paid have been capitalized and depreciated as follows as of December 31, 2014:

	Amounts
Vehicles	\$299,616
Machinery and Equipment	189,984
Less Accumulated Depreciation	(18,887)
Current Book Value	\$470,713

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	\$133,289
2016	133,289
2017	133,289
2018	40,024
Total Mimimum Lease Payments	439,891
Less: Amount representing interest	(24,136)
Present Value of Mimimum Lease Payments	\$415,755

Note 16 - Jointly Governed Organizations

Northeast Ohio Public Energy Council The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Garfield Heights did not contribute to NOPEC during 2014. Financial information can be obtained by contacting Joseph Migliorini, the Board Chairman, at 175 South Main Street, Akron, Ohio 44308 or at the website www.nopecinfo.org.

First Suburbs Consortium of Northeast Ohio Council of Governments The City is a member of the First Suburbs Consortium of Northeast Ohio Council of Governments (Council). The Council is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council is currently comprised of 12 communities. The Council was formed to foster cooperation between municipalities in matters of mutual concern, including but not limited to initiation and support of policies and practices which protect, maintain and redevelop mature communities and other matters which affect health, welfare, education, economic conditions and regional development.

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

The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and other members elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. During 2014, the City of Garfield Heights contributed \$3,000 to the First Suburbs Consortium. Financial information can be obtained by contacting First Suburbs Consortium of Northeast Ohio Council of Governments, 40 Severance Circle, Cleveland Heights, Ohio 44118.

Note 17 – Insurance Purchasing Plan

The City participates in the Jefferson Health Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan's participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

Note 18 - 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.

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

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 \$666,036, \$682,306, and \$513,201, respectively. For 2014, 92.77 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 \$11,371 made by the City and \$8,122 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 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 \$762,567 and \$822,313 for the year ended December 31, 2014, \$640,211 and \$667,439 for the year ended December 31, 2013, and \$510,700 and \$537,248 for the year ended December 31, 2012. For 2014, 92.65 and 92.86 percent has been contributed for both police and firefighters, respectively, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2014, the liability of the City was \$544,268 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported as “long-term liabilities” in the governmental activities column on the statement of net position.

Note 19 - Postemployment Benefits

Ohio Public Employees Retirement System

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

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

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

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

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

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

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

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

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 \$111,006, \$52,485, and \$205,281, respectively. For 2014, 92.77 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing, multiple-employer defined postemployment health care 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.opf.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.

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

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

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$20,068 and \$17,496 for the year ended December 31, 2014, \$145,777 and \$118,425 for the year ended December 31, 2013, and \$270,371 and \$210,227 for the year ended December 31, 2012. For 2014, 92.65 and 92.86 percent has been contributed for both police and firefighters, respectively, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 20 – Significant Commitments

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	\$450,654
Other Governmental Funds	642,390
Total	<u>\$1,093,044</u>

Contractual Commitments

At December 31, 2014, the City's significant commitments consisted of \$2,394,440 for the Granger/Transportation intersection project. The amounts of \$70,828 and \$55,620 in contracts and retainage payable, respectively, have been capitalized.

Note 21 – Cleveland Waterline Projects

During 2014, the City transferred ownership and replacement responsibilities of its waterlines to the City of Cleveland. The City of Garfield Heights did not capitalize the waterlines as part of their infrastructure. The City also entered into an agreement with the Cleveland Division of Water under which the City of Garfield Heights would manage and design the projects of which the Division of Water would pay for. The expenditures for waterline improvements will not be capitalized. An agency fund has been created to account for funds received by the Division of Water to be expensed for the design and construction of such projects.

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

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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and
Members of City Council
Garfield Heights, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Ohio (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 14, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency and noted as item 2014-001.

Honorable Mayor and
Members of City Council
Garfield Heights, Ohio

Compliance and Other Matters

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

Purpose of this Report

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

Cini & Paricki, Inc.

Cleveland, Ohio
September 14, 2015

City of Garfield Heights, Ohio

Schedule of Findings

For the Year Ended December 31, 2014

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Was there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Significant Deficiency 2014-001:

Sound financial reporting is the responsibility of the City and the GAAP conversion team and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The following audit adjustments were made to the financial statements:

1. Adjusted accounts payable to actual by adding \$252,647 of expenditures to various funds relating to services received in 2014 and not paid until after year-end.
2. Adjusted construction in progress and machinery equipment account to properly capitalize \$189,984 of equipment put into service during 2014.

Effect:

The lack of controls over financial reporting can result in errors and irregularities in the financial statements that may go undetected and would decrease the reliability of financial data reported at year-end.

Recommendation:

We recommend the City and GAAP conversion team creates policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the City thereby increasing the reliability of the financial data at year-end. Although the City has contracted a third party to perform their GAAP conversion, the City's management needs to review the financial statements and journal entries to be sure that all items are being properly recorded.



Dave Yost • Auditor of State

CITY OF GARFIELD HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 22, 2015**