



Dave Yost • Auditor of State

**CITY OF PORT CLINTON
OTTAWA COUNTY**

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OTTAWA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Port Clinton
Ottawa County
1868 East Perry Street
Port Clinton, Ohio 43452-1497

To the Members of City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Clinton, Ottawa County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Jet Express funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2015

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City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The discussion and analysis of the City of Port Clinton's financial performance provides an overview 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.

HIGHLIGHTS

In total, the City's net position increased \$589,845; a 1 percent decrease for governmental activities and 4 percent increase for business-type activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Port Clinton's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's nonmajor funds in a single column. The City's major funds are the General, Jet Express, Municipal Purposes, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, etc.). These factors must be considered when assessing the overall health of the City.

In the statement of net position and the statement of activities, the City is divided into two types of activities:

Governmental Activities - Most of the City's programs and services are reported here, including security of persons and property (police and fire), public health, leisure time activities, community environment, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.

City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Jet Express, Municipal Purposes, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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

Enterprise Funds - The City's enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds use the accrual basis of accounting.

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

City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2014 and 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Assets</u>						
Current and Other Assets	\$4,749,974	\$5,524,402	\$1,883,072	\$2,057,446	\$6,633,046	\$7,581,848
Capital Assets, Net	10,269,358	10,202,391	29,903,795	29,658,448	40,173,153	39,860,839
Total Assets	15,019,332	15,726,793	31,786,867	31,715,894	46,806,199	47,442,687
<u>Liabilities</u>						
Current and Other Liabilities	300,052	949,582	218,220	395,228	518,272	1,344,810
Long-Term Liabilities	488,240	366,249	13,707,725	14,193,286	14,195,965	14,559,535
Total Liabilities	788,292	1,315,831	13,925,945	14,588,514	14,714,237	15,904,345
<u>Deferred Inflows of Resources</u>						
	653,394	689,619	0	0	653,394	689,619
<u>Net Position</u>						
Net Investment in Capital Assets	9,975,539	9,345,796	16,303,198	15,357,132	26,278,737	24,702,928
Restricted	2,473,278	2,919,447	0	0	2,473,278	2,919,447
Unrestricted	1,128,829	1,456,100	1,557,724	1,770,248	2,686,553	3,226,348
Total Net Position	\$13,577,646	\$13,721,343	\$17,860,922	\$17,127,380	\$31,438,568	\$30,848,723

The 1 percent decrease in net position for governmental activities was not a significant change; however, there were several changes of note from the prior year. The decrease in current and other assets as well as the decrease in current and other liabilities is related to the completion of construction activities. In the prior year there was a large intergovernmental receivable for construction related resources due from the State and there was also a large payable related to those construction contracts. The increase in long-term liabilities is the result of new capital leases for vehicles.

There was a 4 percent increase in net position for business-type activities simply due to revenues in excess of expenses as the above table reveals few changes of significance. The decrease in current and other assets was primarily a decrease in cash and cash equivalents for resources spent for operations.

City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Table 2 reflects the change in net position for 2014 and 2013.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$471,107	\$457,557	\$4,630,477	\$4,445,924	\$5,101,584	\$4,903,481
Operating Grants, Contributions, and Interest	1,344,561	554,218	0	0	1,344,561	554,218
Capital Grants, Contributions, and Interest	147,292	1,348,758	124,723	55,167	272,015	1,403,925
Total Program Revenues	1,962,960	2,360,533	4,755,200	4,501,091	6,718,160	6,861,624
General Revenues						
Property Taxes Levied for General Purposes	494,839	509,730	0	0	494,839	509,730
Property Taxes Levied for Fire Operations	224,687	230,516	0	0	224,687	230,516
Municipal Income Taxes	2,345,641	2,302,237	0	0	2,345,641	2,302,237
Other Local Taxes	170,622	161,312	0	0	170,622	161,312
Payment in Lieu of Taxes	20,161	20,161	0	0	20,161	20,161
Grants and Entitlements not Restricted to Specific Programs	296,456	421,462	0	0	296,456	421,462
Franchise Fees	43,020	50,333	0	0	43,020	50,333
Interest	5,263	11,362	0	0	5,263	11,362
Other	201,777	229,504	172,645	72,095	374,422	301,599
Total General Revenues	3,802,466	3,936,617	172,645	72,095	3,975,111	4,008,712
Total Revenues	5,765,426	6,297,150	4,927,845	4,573,186	10,693,271	10,870,336
<u>Program Expenses</u>						
Security of Persons and Property						
Police	2,101,862	1,844,581	0	0	2,101,862	1,844,581
Fire	407,738	425,517	0	0	407,738	425,517
Public Health	220,230	218,463	0	0	220,230	218,463
Leisure Time Activities	113,659	87,948	0	0	113,659	87,948
Community Environment	181,727	156,731	0	0	181,727	156,731
Transportation	959,242	939,354	0	0	959,242	939,354
General Government	1,924,117	1,386,736	0	0	1,924,117	1,386,736
Interest and Fiscal Charges	548	22,567	0	0	548	22,567
Water	0	0	1,490,360	2,071,459	1,490,360	2,071,459
Sewer	0	0	2,703,943	2,788,885	2,703,943	2,788,885
Total Expenses	5,909,123	5,081,897	4,194,303	4,860,344	10,103,426	9,942,241
Increase (Decrease) in Net Position	(143,697)	1,215,253	733,542	(287,158)	589,845	928,095
Net Position Beginning of Year	13,721,343	12,506,090	17,127,380	17,414,538	30,848,723	29,920,628
Net Position End of Year	\$13,577,646	\$13,721,343	\$17,860,922	\$17,127,380	\$31,438,568	\$30,848,723

City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

For governmental activities, there was a 17 percent decrease in program revenues from the prior year. Operating grants and contributions increased due to an increase grant resources, such as those for the CHIP program and for the Jet Express. However, there was a decrease in capital grants and contributions related to resources received from the Ohio Department of Transportation for the improvements for Sixth Street in the prior year. There was very little change in general revenues.

Governmental activities expenses increased almost 17 percent from the prior year with the most significant change related to Phase 2 of the Jet Express project (a solar project and roof replacement) and reflected in the general government program.

For business-type activities, program revenues made up almost 97 percent of total revenues for 2014 (98 percent in 2013). A modest rate increase resulted in a slight increase in charges for services revenues. There was a substantial decrease, primarily related to the Water Fund, due to a replenishment of materials and supplies inventory in the prior year.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Security of Persons and Property				
Police	\$2,101,862	\$1,844,581	\$1,992,936	\$1,775,775
Fire	407,738	425,517	254,500	274,571
Public Health	220,230	218,463	186,090	180,172
Leisure Time Activities	113,659	87,948	101,281	75,794
Community Environment	181,727	156,731	(156,484)	(2,775)
Transportation	959,242	939,354	318,756	(759,268)
General Government	1,924,117	1,386,736	1,248,536	1,154,528
Interest and Fiscal Charges	548	22,567	548	22,567
Total Expenses	\$5,909,123	\$5,081,897	\$3,946,163	\$2,721,364

With general revenues providing for 67 percent of the City's program costs in 2014 (54 percent in 2013), the City's dependence on the largest source of general revenues, municipal income taxes, is critical. As noted above, the City's police operations are substantially funded through general revenues. The fire department benefits from charges for services which reduce the amount of general revenues required to support operations. The community environment program receives substantial grant resources from the community development block grant program. Lastly, the transportation program receives charges for services in the form of permissive motor vehicle registration fees. In addition, this program receives operating grants in the form of State levied motor vehicle registration fees and gasoline taxes.

City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Jet Express special revenue fund, and the Municipal Purposes capital projects fund. Fund balance in the General Fund decreased 37 percent from the prior year. There was not a significant change in revenues or expenditures from the prior year; however, due to providing resources to other funds for operations, there was a decrease in fund balance.

The Jet Express special revenue fund had a zero fund balance at year end as all resources were spent during the year. This is a project primarily funded with grant resources.

Fund balance in the Municipal Purposes capital projects fund increased due to receiving resources from the General Fund for operations.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water and Sewer funds. Net position increased in the Water Fund due to a modest rate increase, a reduction in expenses (higher in prior year due to replenishment of materials and supplies), and a capital contribution.

Net position increased in the Sewer Fund due to a modest increase in charges for services revenue and a capital contribution.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute. This includes the annual appropriations ordinance which is passed by City Council before April 1 each year. The City operates under a temporary budget for the first three months of each year.

The City's most significant budgeted fund is the General Fund. For revenues, there was no change from the original budget to the final budget and changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget as well as from the final budget to actual expenditures were not significant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's net investment in capital assets for governmental and business-type activities as of December 31, 2014, was \$9,975,539 and \$16,303,198, respectively (net of accumulated depreciation and related debt). For governmental activities, the primary additions consisted of ongoing construction for street improvements, an addition to the fire station, and new police cruisers. For business-type activities, the primary additions were for water and sewer line improvements. Disposals were minimal. For further information regarding the City's capital assets, refer to Note 10 to the basic financial statements.

Debt - At December 31, 2014, the City had \$150,000 in general obligation bonds and \$3,000 in special assessment bonds outstanding related to governmental activities. For business-type activities, there was \$2,955,000 in general obligation bonds, \$144,912 in OPWC loans, and \$10,376,039 in OWDA loans outstanding at year end.

City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

In addition, the City's long-term obligations also include capital leases and compensated absences. For further information regarding the City's debt, refer to Notes 17 and 18 to the basic financial statements.

CURRENT ISSUES

Current issues and events in the City include the following:

The City began the reconstruction of Second Street, from Adams Street to Madison Street, in 2015. The City will utilize permissive motor vehicle license monies held by the Ottawa County Engineer's Office to fund the road reconstruction and a loan from the Ohio Water Development Authority to install new water and sewer lines.

The City is in the process of adding pavilions to Portage Park and West End Park as well installing new playground equipment.

The City has been awarded a Small Cities grant, in the amount of \$2,340,000, from the Ohio Department of Transportation to be used for the reconstruction of Madison Street from Perry Street to Third Street in 2016. The City plans to reconstruct the street surface, improve pedestrian sidewalks, and provide new waterlines, sanitary sewers, and storm sewers.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Cole Hatfield, City Auditor, 1868 Perry Street, Port Clinton, Ohio 43452.

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City of Port Clinton
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,632,150	\$923,517	\$2,555,667
Accounts Receivable	53,756	843,782	897,538
Accrued Interest Receivable	4,658	0	4,658
Due from Other Governments	310,944	49,075	360,019
Municipal Income Taxes Receivable	812,570	0	812,570
Other Local Taxes Receivable	14,731	0	14,731
Materials and Supplies Inventory	33,933	66,698	100,631
Property Taxes Receivable	690,205	0	690,205
Notes Receivable	1,045,512	0	1,045,512
Special Assessments Receivable	131,354	0	131,354
Payment in Lieu of Taxes Receivable	20,161	0	20,161
Nondepreciable Capital Assets	2,367,713	405,597	2,773,310
Depreciable Capital Assets, Net	7,901,645	29,498,198	37,399,843
Total Assets	15,019,332	31,786,867	46,806,199
<u>Liabilities</u>			
Accrued Wages Payable	96,692	39,019	135,711
Accounts Payable	28,610	34,013	62,623
Contracts Payable	31,737	54,755	86,492
Retainage Payable	10,000	0	10,000
Due to Other Governments	132,476	45,127	177,603
Accrued Interest Payable	537	10,302	10,839
Deposits Held and Due to Others	0	35,004	35,004
Long-Term Liabilities			
Due Within One Year	113,718	866,226	979,944
Due in More Than One Year	374,522	12,841,499	13,216,021
Total Liabilities	788,292	13,925,945	14,714,237
<u>Deferred Inflows of Resources</u>			
Property Taxes Receivable	633,233	0	633,233
Payment in Lieu of Taxes Receivable	20,161	0	20,161
Total Deferred Inflows of Resources	653,394	0	653,394
<u>Net Position</u>			
Net Investment in Capital Assets	9,975,539	16,303,198	26,278,737
Restricted for			
Debt Service	119,042	0	119,042
Capital Projects	464,626	0	464,626
Community Environment	1,138,182	0	1,138,182
Transportation	530,684	0	530,684
Other Purposes	220,744	0	220,744
Unrestricted	1,128,829	1,557,724	2,686,553
Total Net Position	\$13,577,646	\$17,860,922	\$31,438,568

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$2,101,862	\$11,921	\$59,533	\$37,472
Fire	407,738	150,388	2,850	0
Public Health	220,230	34,140	0	0
Leisure Time Activities	113,659	7,680	4,698	0
Community Environment	181,727	0	338,211	0
Transportation	959,242	76,397	454,269	109,820
General Government	1,924,117	190,581	485,000	0
Interest and Fiscal Charges	548	0	0	0
Total Governmental Activities	5,909,123	471,107	1,344,561	147,292
<u>Business-Type Activities</u>				
Water	1,490,360	1,713,320	0	0
Sewer	2,703,943	2,917,157	0	124,723
Total Business-Type Activities	4,194,303	4,630,477	0	124,723
Total	\$10,103,426	\$5,101,584	\$1,344,561	\$272,015

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Fire Operations
Municipal Income Taxes
Other Local Taxes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Fees
Interest
Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,992,936)	\$0	(\$1,992,936)
(254,500)	0	(254,500)
(186,090)	0	(186,090)
(101,281)	0	(101,281)
156,484	0	156,484
(318,756)	0	(318,756)
(1,248,536)	0	(1,248,536)
(548)	0	(548)
(3,946,163)	0	(3,946,163)
0	222,960	222,960
0	337,937	337,937
0	560,897	560,897
(3,946,163)	560,897	(3,385,266)
494,839	0	494,839
224,687	0	224,687
2,345,641	0	2,345,641
170,622	0	170,622
20,161	0	20,161
296,456	0	296,456
43,020	0	43,020
5,263	0	5,263
201,777	172,645	374,422
3,802,466	172,645	3,975,111
(143,697)	733,542	589,845
13,721,343	17,127,380	30,848,723
<u>\$13,577,646</u>	<u>\$17,860,922</u>	<u>\$31,438,568</u>

City of Port Clinton
Balance Sheet
Governmental Funds
December 31, 2014

	General	Municipal Purposes	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$444,633	\$327,399	\$839,605	\$1,611,637
Accounts Receivable	53,451	0	305	53,756
Accrued Interest Receivable	2,149	0	2,509	4,658
Due from Other Governments	144,058	0	166,886	310,944
Municipal Income Taxes Receivable	812,570	0	0	812,570
Other Local Taxes Receivable	3,233	0	11,498	14,731
Interfund Receivable	10,306	0	0	10,306
Materials and Supplies Inventory	21,843	0	12,090	33,933
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	20,513	0	0	20,513
Property Taxes Receivable	471,404	0	218,801	690,205
Notes Receivable	0	0	1,045,512	1,045,512
Special Assessments Receivable	0	40,274	91,080	131,354
Payment in Lieu of Taxes Receivable	0	0	20,161	20,161
Total Assets	\$1,984,160	\$367,673	\$2,408,447	\$4,760,280
<u>Liabilities</u>				
Accrued Wages Payable	\$80,322	\$0	\$16,370	96,692
Accounts Payable	6,916	8,700	12,994	28,610
Contracts Payable	0	1,560	30,177	31,737
Retainage Payable	0	0	10,000	10,000
Due to Other Governments	91,064	0	41,412	132,476
Interfund Payable	0	10,306	0	10,306
Total Liabilities	178,302	20,566	110,953	309,821
<u>Deferred Inflows of Resources</u>				
Property Taxes Receivable	432,177	0	201,056	633,233
Payment in Lieu of Taxes Receivable	0	0	20,161	20,161
Unavailable Revenue	813,948	40,274	271,544	1,125,766
Total Deferred Inflows of Resources	1,246,125	40,274	492,761	1,779,160
<u>Fund Balance</u>				
Nonspendable	42,356	0	12,090	54,446
Restricted	0	306,833	1,822,635	2,129,468
Assigned	395,452	0	5,179	400,631
Unassigned (Deficit)	121,925	0	(35,171)	86,754
Total Fund Balance	559,733	306,833	1,804,733	2,671,299
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,984,160	\$367,673	\$2,408,447	\$4,760,280

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2014

Total Governmental Fund Balance	\$2,671,299
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,269,358
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	52,394	
Accrued Interest Receivable	3,889	
Due from Other Governments	284,059	
Municipal Income Taxes Receivable	596,194	
Other Local Taxes Receivable	904	
Delinquent Property Taxes Receivable	56,972	
Special Assessments Receivable	<u>131,354</u>	
		1,125,766

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(537)	
General Obligations Bonds Payable	(150,000)	
Special Assessment Bonds Payable	(3,000)	
Capital Leases Payable	(103,642)	
Compensated Absences Payable	<u>(231,598)</u>	
		<u>(488,777)</u>

Net Position of Governmental Activities	<u><u>\$13,577,646</u></u>
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See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2014

	General	Jet Express	Municipal Purposes	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$516,860	\$0	\$0	\$234,649	\$751,509
Municipal Income Taxes	2,198,286	0	0	0	2,198,286
Other Local Taxes	171,022	0	0	76,397	247,419
Payment in Lieu of Taxes	0	0	0	20,161	20,161
Special Assessments	0	0	8,919	19,323	28,242
Charges for Services	233,069	0	0	150,578	383,647
Fees, Licenses, and Permits	54,774	0	0	0	54,774
Fines and Forfeitures	2,152	0	0	1,810	3,962
Intergovernmental	337,403	475,000	12,708	974,820	1,799,931
Interest	6,001	0	7,821	(5,194)	8,628
Other	55,910	97,731	75	42,158	195,874
Total Revenues	3,575,477	572,731	29,523	1,514,702	5,692,433
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	1,877,263	0	0	47,123	1,924,386
Fire	0	0	0	512,055	512,055
Public Health	215,903	0	0	0	215,903
Leisure Time Activities	98,433	0	0	0	98,433
Community Environment	16,626	0	0	165,101	181,727
Transportation	0	0	0	330,142	330,142
General Government	1,185,130	709,835	0	0	1,894,965
Capital Outlay	0	0	257,322	434,462	691,784
Debt Service:					
Principal Retirement	29,576	0	0	32,810	62,386
Interest and Fiscal Charges	1,909	0	0	8,999	10,908
Total Expenditures	3,424,840	709,835	257,322	1,530,692	5,922,689
Excess of Revenues Over (Under) Expenditures	150,637	(137,104)	(227,799)	(15,990)	(230,256)
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	16,810	0	0	0	16,810
Inception of Capital Lease	92,952	0	0	0	92,952
Transfers In	0	0	425,000	170,000	595,000
Transfers Out	(595,000)	0	0	0	(595,000)
Total Other Financing Sources (Uses)	(485,238)	0	425,000	170,000	109,762
Change in Fund Balance	(334,601)	(137,104)	197,201	154,010	(120,494)
Fund Balance Beginning of Year	894,334	137,104	109,632	1,650,723	2,791,793
Fund Balance End of Year	\$559,733	\$0	\$306,833	\$1,804,733	\$2,671,299

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
 Reconciliation of Statement of Revenues, Expenditures,
 and Change in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2014

Change in Fund Balance - Total Governmental Funds (\$120,494)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on 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 capital outlay exceeded depreciation in the current year.

Capital Outlay- Nondepreciable Capital Assets	519,886	
Capital Outlay- Depreciable Capital Assets	127,952	
Capital Contributions	37,472	
Depreciation	<u>(521,871)</u>	163,439

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital asset is removed from the capital asset account on the statement of net position when disposed of resulting in a gain or a loss on disposal of capital assets on the statement of activities.

Proceeds from the Sale of Capital Assets	(16,810)	
Gain on Disposal of Capital Assets	14,060	
Loss on Disposal of Capital Assets	<u>(93,722)</u>	(96,472)

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

Delinquent Property Taxes	(31,983)	
Municipal Income Taxes	147,355	
Other Local Taxes	(400)	
Special Assessments	(28,242)	
Charges for Services	1,855	
Fees, Licenses, and Permits	(7,223)	
Intergovernmental	(61,438)	
Interest	822	
Miscellaneous	<u>715</u>	21,461

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

General Obligation Bonds Payable	9,423	
Special Assessment Bonds Payable	10,577	
Capital Leases Payable	<u>42,386</u>	62,386

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position. (92,952)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. 10,360

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (91,425)

Change in Net Position of Governmental Activities (\$143,697)

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$498,850	\$493,750	\$516,860	\$23,110
Municipal Income Taxes	2,300,000	2,300,000	2,265,460	(34,540)
Other Local Taxes	156,000	156,000	176,912	20,912
Charges for Services	236,690	236,690	233,744	(2,946)
Fees, Licenses, and Permits	53,370	53,370	54,774	1,404
Fines and Forfeitures	2,000	2,000	2,282	282
Intergovernmental	405,050	410,150	349,215	(60,935)
Interest	2,400	2,400	5,678	3,278
Other	49,100	49,100	53,683	4,583
Total Revenues	3,703,460	3,703,460	3,658,608	(44,852)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,790,200	1,799,558	1,781,707	17,851
Public Health	244,050	244,475	213,341	31,134
Leisure Time Activities	118,550	120,392	99,881	20,511
Community Environment	20,300	20,300	15,819	4,481
General Government	1,431,392	1,444,356	1,206,818	237,538
Debt Service:				
Principal Retirement	30,223	30,223	29,576	647
Interest and Fiscal Charges	1,975	1,975	1,909	66
Total Expenditures	3,636,690	3,661,279	3,349,051	312,228
Excess of Revenues Over Expenditures	66,770	42,181	309,557	267,376
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	16,810	16,810
Transfers Out	(595,000)	(595,000)	(595,000)	0
Total Other Financing Sources (Uses)	(595,000)	(595,000)	(578,190)	16,810
Change in Fund Balance	(528,230)	(552,819)	(268,633)	284,186
Fund Balance Beginning of Year	680,561	680,561	680,561	0
Prior Year Encumbrances Appropriated	24,589	24,589	24,589	0
Fund Balance End of Year	\$176,920	\$152,331	\$436,517	\$284,186

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Jet Express Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$472,144	\$472,144	\$475,000	\$2,856
Other	0	0	97,731	97,731
Total Revenues	472,144	472,144	572,731	100,587
<u>Expenditures</u>				
Current:				
General Government	1,027,269	1,263,348	711,051	552,297
Change in Fund Balance	(555,125)	(791,204)	(138,320)	652,884
Fund Balance Beginning of Year	(475,028)	(475,028)	(475,028)	0
Prior Year Encumbrances Appropriated	613,348	613,348	613,348	0
Fund Balance (Deficit) End of Year	<u>(\$416,805)</u>	<u>(\$652,884)</u>	<u>\$0</u>	<u>\$652,884</u>

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Fund Net Position
Enterprise Funds
December 31, 2014

	<u>Business-Type Activities</u>		Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$358,844	\$529,669	\$888,513
Accounts Receivable	289,463	554,319	843,782
Due from Other Governments	49,075	0	49,075
Materials and Supplies Inventory	55,882	10,816	66,698
Total Current Assets	753,264	1,094,804	1,848,068
<u>Non-Current Assets</u>			
<u>Restricted Assets</u>			
Equity in Pooled Cash and Cash Equivalents	35,004	0	35,004
Nondepreciable Capital Assets	342,358	63,239	405,597
Depreciable Capital Assets, Net	3,805,003	25,693,195	29,498,198
Total Non-Current Assets	4,182,365	25,756,434	29,938,799
Total Assets	4,935,629	26,851,238	31,786,867
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	12,445	26,574	39,019
Accounts Payable	1,812	32,201	34,013
Contracts Payable	49,843	4,912	54,755
Due to Other Governments	18,310	26,817	45,127
Accrued Interest Payable	0	10,302	10,302
General Obligation Bonds Payable	0	160,000	160,000
OPWC Loans Payable	1,515	13,745	15,260
OWDA Loans Payable	118,800	450,782	569,582
Capital Leases Payable	0	64,708	64,708
Compensated Absences Payable	40,336	16,340	56,676
Total Current Liabilities	243,061	806,381	1,049,442
<u>Non-Current Liabilities</u>			
Deposits Held and Due to Others	35,004	0	35,004
General Obligation Bonds Payable	0	2,795,000	2,795,000
OPWC Loans Payable	13,730	115,922	129,652
OWDA Loans Payable	1,728,994	8,077,463	9,806,457
Capital Leases Payable	0	55,026	55,026
Compensated Absences Payable	12,716	42,648	55,364
Total Non-Current Liabilities	1,790,444	11,086,059	12,876,503
Total Liabilities	2,033,505	11,892,440	13,925,945
<u>Net Position</u>			
Net Investment in Capital Assets	2,284,322	14,018,876	16,303,198
Unrestricted	617,802	939,922	1,557,724
Total Net Position	\$2,902,124	\$14,958,798	\$17,860,922

See Accompanying Notes to the Basic Financial Statement:

City of Port Clinton
Statement of Revenues, Expenses,
and Change in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2014

	<u>Business-Type Activities</u>		Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	
<u>Operating Revenues</u>			
Charges for Services	\$1,713,320	\$2,917,157	\$4,630,477
Other	96,503	76,142	172,645
Total Operating Revenues	<u>1,809,823</u>	<u>2,993,299</u>	<u>4,803,122</u>
<u>Operating Expenses</u>			
Personal Services	525,732	882,074	1,407,806
Contractual Services	38,620	293,948	332,568
Materials and Supplies	684,087	456,526	1,140,613
Other	71,050	115,000	186,050
Depreciation	94,286	639,328	733,614
Total Operating Expenses	<u>1,413,775</u>	<u>2,386,876</u>	<u>3,800,651</u>
Operating Income	396,048	606,423	1,002,471
<u>Non-Operating Expenses</u>			
Interest Expense	<u>(76,585)</u>	<u>(317,067)</u>	<u>(393,652)</u>
Income before Contributions	319,463	289,356	608,819
Capital Contributions	<u>0</u>	<u>124,723</u>	<u>124,723</u>
Change in Net Position	319,463	414,079	733,542
Net Position Beginning of Year	<u>2,582,661</u>	<u>14,544,719</u>	<u>17,127,380</u>
Net Position End of Year	<u>\$2,902,124</u>	<u>\$14,958,798</u>	<u>\$17,860,922</u>

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2014

	Business-Type Activities		
	Water	Sewer	Total Enterprise Funds
Increases (Decreases) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$1,683,555	\$2,836,628	\$4,520,183
Cash Received from Other Revenues	96,503	76,142	172,645
Cash Payments for Personal Services	(509,350)	(881,243)	(1,390,593)
Cash Payments for Contractual Services	(37,883)	(317,436)	(355,319)
Cash Payments to Vendors	(749,347)	(632,589)	(1,381,936)
Cash Payments for Other Expenses	(71,050)	(115,000)	(186,050)
Net Cash Provided by Operating Activities	<u>412,428</u>	<u>966,502</u>	<u>1,378,930</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital Contributions	0	124,723	124,723
Principal Paid on General Obligation Bonds	0	(160,000)	(160,000)
Principal Paid on OPWC Loans	(1,515)	(13,746)	(15,261)
Principal Paid on OWDA Loans	(130,314)	(569,738)	(700,052)
Lease Principal	0	(61,916)	(61,916)
Interest Paid on General Obligation Bonds	0	(129,623)	(129,623)
Interest Paid on OWDA Loans	(76,585)	(171,934)	(248,519)
Lease Interest	0	(5,745)	(5,745)
OWDA Loans Issued	418,812	22,900	441,712
Acquisition of Capital Assets	(733,994)	(190,980)	(924,974)
Net Cash Used for Capital and Related Financing Activities	<u>(523,596)</u>	<u>(1,156,059)</u>	<u>(1,679,655)</u>
Net Decrease in Cash and Cash Equivalents	(111,168)	(189,557)	(300,725)
Cash and Cash Equivalents Beginning of Year	<u>505,016</u>	<u>719,226</u>	<u>1,224,242</u>
Cash and Cash Equivalents End of Year	<u>\$393,848</u>	<u>\$529,669</u>	<u>\$923,517</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income	\$396,048	\$606,423	\$1,002,471
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation	94,286	639,328	733,614
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(29,765)	(80,529)	(110,294)
Increase in Due from Other Governments	(49,075)	0	(49,075)
Decrease in Materials and Supplies Inventory	25,055	7,963	33,018
Increase (Decrease) in Accrued Wages Payable	(255)	3,621	3,366
Decrease in Accounts Payable	(3,735)	(10,236)	(13,971)
Increase (Decrease) in Contracts Payable	768	(167,111)	(166,343)
Decrease in Retainage Payable	(33,999)	(24,967)	(58,966)
Increase (Decrease) in Due to Other Governments	14,390	(14,164)	226
Increase in Compensated Absences Payable	3,782	6,174	9,956
Decrease in Deposits Held and Due to Others	(5,072)	0	(5,072)
Net Cash Provided by Operating Activities	<u>\$412,428</u>	<u>\$966,502</u>	<u>\$1,378,930</u>

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$17,163</u>
<u>Liabilities</u>	
Undistributed Assets	<u>\$17,163</u>

See Accompanying Notes to the Basic Financial Statements

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City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 1 - DESCRIPTION OF THE CITY OF PORT CLINTON AND THE REPORTING ENTITY

A. The City

The City of Port Clinton is a statutory municipal corporation operating under the laws of the State of Ohio. Port Clinton was incorporated as a city in 1955.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to four-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Safety-Service Director, are elected positions. The Safety-Service Director is appointed by the Mayor, with approval by the City Council.

The City of Port Clinton is divided into various departments and financial management and control systems. Services provided include police protection, a volunteer fire department, parks and recreation, street maintenance and repair, and water and sewer services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Port Clinton consists of all funds, departments, boards, and agencies that are not legally separate from the City.

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 for which the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. There were no component units of the City of Port Clinton in 2014.

The City participates in an insurance pool, the Ohio Plan Risk Management, Inc., which is presented in Note 21 to the basic financial statements.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Port Clinton 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. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are reported in three categories; governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City 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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Jet Express Fund - The Jet Express Fund accounts for a grant from the Department of Transportation restricted for new roofing and solar technology on behalf of the Put-in-Bay Boat Line Company.

Municipal Purposes Fund - The Municipal Purposes Fund accounts for special assessments and other resources restricted for capital acquisition and improvements.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - The Water Fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.

Sewer Fund - The Sewer Fund accounts for the provision of wastewater treatment service to residential and commercial users within the City.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2014. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for employee payroll withholdings and deductions and for insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities 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 current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reflects 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 financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City did not report any deferred outflows of resources for 2014.

In addition to liabilities, the statement of financial position may report 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 includes property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, other local taxes, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for the General Fund and some other funds and at the fund level for other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2014, the City's investments included nonnegotiable certificates of deposit, which are reported at cost.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest earnings are allocated to City funds according to State statutes or grant requirements. Interest revenue credited to the General Fund during 2014 was \$6,001, which includes \$5,032 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Unclaimed monies that have a legal restriction on their use are reported as restricted. Utility deposits from customers are restricted because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	15-50 years
Furniture, Fixtures, and Equipment	7-20 years
Vehicles	6-15 years
Streets	20-40 years
Water, Sewer, and Storm Sewer Lines	50 years

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees 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 specified in City policies or by union contracts. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as liabilities on the fund financial statements when due.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance 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 its 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 generally consists primarily of various safety related activities. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. 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 governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification 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" includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinance).

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 purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (ordinance) of City Council. The 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) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance 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.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned - Amounts in the assigned 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. Assigned amounts represent intended uses established by City Council. City Council has authorized the Safety-Service Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

P. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

Q. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. 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 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2014, the Fulton Street Reconstruction capital projects fund had a deficit fund balance, in the amount of \$35,171, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

For the year ended December 31, 2014, the Jet Express special revenue fund had original appropriations in excess of estimated resources and available balances, in the amount of \$416,805, and final appropriations in excess of estimated resources and available balances, in the amount of \$652,884.

For the year ended December 31, 2014, the Drug Law Enforcement special revenue fund had expenditures in excess of appropriations, in the amount of \$1,690. The Water enterprise fund had expenses in excess of appropriations for other expenses, in the amount of \$37,523.

The Auditor will monitor appropriations to ensure they are within estimated resources and expenditures to ensure they are within amounts appropriated.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund and the Jet Express special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

Change in Fund Balance		
	General	Jet Express
GAAP Basis	(\$334,601)	(\$137,104)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2013, Received in Cash 2014	323,940	0
Accrued 2014, Not Yet Received in Cash	(240,740)	0
Expenditure Accruals:		
Accrued 2013, Paid in Cash 2014	(159,696)	(1,216)
Accrued 2014, Not Yet Paid in Cash	178,302	0
Cash Adjustments:		
Unrecorded Activity 2013	(69)	0
Materials and Supplies Inventory	(7,140)	0
Encumbrances Outstanding at Year End (Budget Basis)	(28,629)	0
Budget Basis	(\$268,633)	(\$138,320)

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

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

Inactive deposits are public deposits the City 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.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes 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.

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.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,175,363 of the City's bank balance of \$2,582,172 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit 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 105 percent of the deposits being secured.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2014, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; notes; special assessments; and payment in lieu of taxes. All receivables are expected to be collected within one year, except as noted. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$1,032,067, will not be received within one year. Special assessments receivable, in the amount of \$118,777, will not be received within one year. At December 31, 2014, the amount of delinquent special assessments was \$110,244.

A summary of the changes in notes receivable during 2014 follows:

	Balance December 31, 2013	New Loans	Repayments	Balance December 31, 2014
Special Revenue Fund				
CDBG	\$7,842	\$7,842	\$0	\$15,684
HPG	230,012	5,847	15,447	220,412
HOME	642,808	201,407	34,799	809,416
	<u>\$880,662</u>	<u>\$215,096</u>	<u>\$50,246</u>	<u>\$1,045,512</u>

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 6 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Fund	
General Fund	
Homestead and Rollback	\$32,172
Tangible Personal Property	216
Local Government	96,143
Beer and Liquor Permits	11,097
Lake County	3,715
Port Clinton City School District	715
Total General Fund	144,058
Nonmajor Funds	
Fire Levy	
Homestead and Rollback	14,554
State Highway	
Gasoline Tax	8,108
Motor Vehicle License Tax	2,805
Total State Highway	10,913
Street Maintenance	
Gasoline Tax	95,664
Motor Vehicle License Tax	31,152
Total Street Maintenance	126,816
Fulton Street Resurfacing	
Ohio Public Works Commission	14,603
Total Nonmajor Funds	166,886
Total Governmental Activities	\$310,944
Business-Type Activities	
Major Fund	
Water	
Ohio Water Development Authority	\$49,075

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 7 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All income tax revenue is credited to the General Fund.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2014 represent the collection of 2013 taxes. Real property taxes received in 2014 were levied after October 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2014 represent the collection of 2013 taxes. Public utility real and tangible personal property taxes received in 2014 became a lien on December 31, 2012, were levied after October 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Port Clinton. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 8 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2014, was \$6.10 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$94,272,630
Commercial/Industrial	29,902,550
Public Utility Real	36,950
Public Utility Personal	7,454,450
Total	\$131,666,580

NOTE 9 - PAYMENT IN LIEU OF TAXES

According to State law, the City has entered into an agreement with a property owner under which the City has granted property tax exemptions to that property owner. The property owner has agreed to make payments to the City which reflect all or a portion of the property taxes which would have paid if the taxes had not been exempted. The property owner contractually promises to make these payments in lieu of taxes until agreement expires.

NOTE 10 - CAPITAL ASSETS

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

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$2,003,220	\$0	\$0	\$2,003,220
Construction in Progress	1,909,463	519,886	(2,064,856)	364,493
Total Nondepreciable Capital Assets	3,912,683	519,886	(2,064,856)	2,367,713
Depreciable Capital Assets				
Land Improvements	232,038	0	0	232,038
Buildings and Improvements	1,972,555	478,535	0	2,451,090
Furniture, Fixtures, and Equipment	1,304,136	37,472	(100,978)	1,240,630
Vehicles	2,210,079	127,952	(78,315)	2,259,716
Streets	10,429,708	1,586,321	0	12,016,029
Total Depreciable Capital Assets	16,148,516	2,230,280	(179,293)	18,199,503

(continued)

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 10 - CAPITAL ASSETS (continued)

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Less Accumulated Depreciation for				
Land Improvements	(\$94,191)	(\$11,602)	\$0	(\$105,793)
Buildings and Improvements	(648,729)	(56,937)	0	(705,666)
Furniture, Fixtures, and Equipment	(855,874)	(49,606)	16,506	(888,974)
Vehicles	(1,611,734)	(119,159)	66,315	(1,664,578)
Streets	(6,648,280)	(284,567)	0	(6,932,847)
Total Accumulated Depreciation	<u>(9,858,808)</u>	<u>(521,871)</u>	<u>82,821</u>	<u>(10,297,858)</u>
Total Depreciable Capital Assets, Net	6,289,708	1,708,409	(96,472)	7,901,645
Governmental Activities Capital Assets, Net	<u>\$10,202,391</u>	<u>\$2,228,295</u>	<u>(\$2,161,328)</u>	<u>\$10,269,358</u>

Governmental activities accepted contributions of capital assets from other governments and outside sources, with a fair value of \$37,472, during 2014.

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$12,552	\$0	\$0	\$12,552
Construction in Progress	763,919	951,211	(1,322,085)	393,045
Total Nondepreciable Capital Assets	<u>776,471</u>	<u>951,211</u>	<u>(1,322,085)</u>	<u>405,597</u>
Depreciable Capital Assets				
Land Improvements	28,925	0	0	28,925
Buildings and Improvements	18,873,829	0	0	18,873,829
Furniture, Fixtures, and Equipment	881,497	27,750	0	909,247
Vehicles	488,121	0	0	488,121
Water, Sewer, and Storm Sewer Lines	14,383,381	1,322,085	0	15,705,466
Total Depreciable Capital Assets	<u>34,655,753</u>	<u>1,349,835</u>	<u>0</u>	<u>36,005,588</u>
Less Accumulated Depreciation for				
Land Improvements	(10,921)	(1,446)	0	(12,367)
Buildings and Improvements	(3,726,612)	(353,313)	0	(4,079,925)
Furniture, Fixtures, and Equipment	(491,463)	(60,632)	0	(552,095)
Vehicles	(227,223)	(30,553)	0	(257,776)
Water, Sewer, and Storm Sewer Lines	(1,317,557)	(287,670)	0	(1,605,227)
Total Accumulated Depreciation	<u>(5,773,776)</u>	<u>(733,614)</u>	<u>0</u>	<u>(6,507,390)</u>
Total Depreciable Capital Assets, Net	28,881,977	616,221	0	29,498,198
Business-Type Activities Capital Assets, Net	<u>\$29,658,448</u>	<u>\$1,567,432</u>	<u>(\$1,322,085)</u>	<u>\$29,903,795</u>

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$91,662
Security of Persons and Property - Fire	74,610
Public Health	3,937
Leisure Time Activities	15,226
Transportation	323,637
General Government	12,799
Total Depreciation Expense - Governmental Activities	\$521,871

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2014, the General Fund had an interfund receivable, in the amount of \$10,306, from the Municipal Purposes capital projects fund for a short-term loan made to the fund. The full amount is scheduled to be collected within one year.

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 the Ohio Plan Risk Management, Inc., an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Blanket Building and Personal Property	\$22,692,699	\$1,000
Special Property	2,187,766	1,000
General Liability		
Occurrence	2,000,000	0
Aggregate	4,000,000	0
Employer's Liability		
Occurrence	2,000,000	0
Aggregate	2,000,000	0
Employee Benefits		
Occurrence	2,000,000	0
Aggregate	4,000,000	0
Public Officials Liability		
Occurrence	2,000,000	2,500
Aggregate	4,000,000	2,500

(continued)

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 12 - RISK MANAGEMENT (continued)

Type of Coverage	Coverage	Deductible
Law Enforcement Liability		
Occurrence	\$2,000,000	\$2,500
Aggregate	4,000,000	2,500
Auto Liability	2,000,000	250/500
Builders Risk	500,000	0

There has been no significant reduction in insurance coverage from 2013 and no insurance settlement has exceeded insurance coverage during the last three years.

Worker's compensation is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

NOTE 13 - CONTRACTUAL COMMITMENTS

At December 31, 2014, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
AT Emmett	Ottawa Drive Storm Station	\$32,440
Lakecraft Corporation	Rebuild Pump Enclosure	2,650
Paschal Bihn & Sons Excavating	Fulton Street Project	211,196
R.E. Warner	Lakeshore Drive Sidewalks	13,650
United Survey Inc.	Sewer Lining Contract	391,306
Village of Oak Harbor	Oak Harbor Waterline	2,606
WSOS	Fremont Road	5,340

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2014 are as follows:

Municipal Purposes	\$141,817
Nonmajor Governmental Funds	282,357
Total	<u><u>\$424,174</u></u>

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$261,155, \$269,740, and \$183,851, respectively. For 2014, 88 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 \$2,800 made by the City and \$2,000 made by the plan members.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

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

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.

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. The City's required contribution for pension obligations for police for the year ended December 31, 2014, was \$145,354, for the year ended December 31, 2013, was \$117,699, and for the year ended December 31, 2012, was \$89,086. For 2014, 85 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. 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.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

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

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

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

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

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

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$43,992, \$21,009, and \$74,890, respectively. For 2014, 88 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.

B. 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 benefit 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.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

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 writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at www.op-f.org.

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 of covered payroll for police. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan .5 percent of covered payroll. The amount of the 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 for the year ended December 31, 2014, was \$3,825, for the year ended December 31, 2013, was \$26,801, and for the year ended December 31, 2012, was \$47,163. For 2014, 85 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 16 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Full-time employees in the Teamsters, Exempt, or Nonexempt Unions with ten or more years of service, or an employee with twenty or more years of service, who leave the employment of the City for reasons other than termination of employment by the City, with accumulated sick leave of seven hundred hours, or employees who retire from the City, are entitled to receive half of the value of their unused sick leave up to a maximum of seven hundred fifty hours. Full-time employees with ten or more years of service, or an employee with twenty or more years of service, who leave the employment of the City for reasons other than termination of employment by the City, or employees who retire from the City, are entitled to receive one-fourth of the value of their accumulated unused sick leave up to a maximum of one hundred seventy-five hours to seven hundred fifty hours for employees who retire under a collective bargaining agreement or five hundred hours for all other employees.

NOTE 17 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2014, was as follows:

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
<u>Governmental Activities</u>						
<u>General Obligation Bonds</u>						
1994 West Second and Laurel Street (Original Amount \$84,260)	6.22%	\$4,423	\$0	\$4,423	\$0	\$0
2008 Various Purpose (Original Amount \$3,990,000)	3.750	155,000	0	5,000	150,000	10,000
Total General Obligation Bonds		159,423	0	9,423	150,000	10,000
<u>Special Assessment Bonds</u>						
1994 West Second and Laurel Street (Original Amount \$143,470)	6.22	7,577	0	7,577	0	0
1995 Fulton Street (Original Amount \$48,530)	6.5	6,000	0	3,000	3,000	3,000
Total Special Assessment Bonds		13,577	0	10,577	3,000	3,000
<u>Other Long-Term Obligations</u>						
Capital Leases Payable		53,076	92,952	42,386	103,642	48,543
Compensated Absences Payable		140,173	91,425	0	231,598	52,175
Total Other Long-Term Obligations		193,249	184,377	42,386	335,240	100,718
Total Governmental Activities		\$366,249	\$184,377	\$62,386	\$488,240	\$113,718

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
<u>Business-Type Activities</u>						
<u>General Obligation Bonds</u>						
2008 General Obligation Bonds (Original Amount \$3,990,000)	3.75%	\$3,115,000	\$0	\$160,000	\$2,955,000	\$160,000
<u>OPWC Loans</u>						
2002 OPWC Loans Payable (Original Amount \$28,000)	0	11,900	0	1,400	10,500	1,400
2004 OPWC Loans Payable (Original Amount \$208,350)	0	109,384	0	10,418	98,966	10,417
2004 OPWC Loans Payable (Original Amount \$40,934)	0	38,889	0	3,443	35,446	3,443
Total OPWC Loans		160,173	0	15,261	144,912	15,260
<u>OWDA Loans</u>						
2000 OWDA Loans Payable (Original Amount \$1,027,009)	5.54	412,339	0	66,264	346,075	69,936
2003 OWDA Loans Payable (Original Amount \$5,216,972)	3.89	3,128,062	0	239,117	2,888,945	256,752
2008 OWDA Loans Payable (Original Amount \$2,825,865)	1.00	2,167,522	0	133,801	2,033,721	0
2010 OWDA Loans Payable (Original Amount \$427,602)	3.39	371,916	0	17,150	354,766	17,737
2010 OWDA Loans Payable (Original Amount \$3,880,427)	1.00	1,662,706	0	87,396	1,575,310	88,271
2011 OWDA Loans Payable (Original Amount \$2,271,912)	1.00	2,116,793	0	104,710	2,012,083	105,759
2011 OWDA Loans Payable (Original Amount \$294,682)	3.99	256,075	0	29,921	226,154	31,127
2013 OWDA Loans Payable (Original Amount \$575,888)	3.44	518,966	56,922	11,212	564,676	0
2014 OWDA Loans Payable (Original Amount \$22,900)	1.00	0	22,900	4,714	18,186	0
2014 OWDA Loans Payable (Original Amount \$329,806)	4.15	0	329,806	5,767	324,039	0
2014 OWDA Loans Payable (Original Amount \$32,084)	2.00	0	32,084	0	32,084	0
Total OWDA Loans		10,634,379	441,712	700,052	10,376,039	569,582
<u>Other Long-Term Obligations</u>						
Capital Leases Payable		181,650	0	61,916	119,734	64,708
Compensated Absences Payable		102,084	9,956	0	112,040	56,676
Total Other Long-Term Obligations		283,734	9,956	61,916	231,774	121,384
Total Business-Type Activities		\$14,193,286	\$451,668	\$937,229	\$13,707,725	\$866,226

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds

All general obligation bonds are supported by the full faith and credit of the City of Port Clinton and are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest payments. The bonds will be paid from the General Fund, the Second and Laurel capital projects fund, and the Water and Sewer enterprise funds.

The bonds maturing on or after December 1, 2016, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, and in integral multiples of \$5,000, on any date on or after June 1, 2015, at par plus accrued interest to the redemption date.

Special Assessment Bonds

The special assessment bonds are supported by the full faith and credit of the City of Port Clinton. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the bonds, the City will be required to pay the related debt.

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Compensated Absences

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance and Fire Levy special revenue funds, and the Water and Sewer enterprise funds.

OPWC Loans Payable

The City has entered into loan agreements with the Ohio Public Works Commission for improvements at the wastewater treatment plant, a standby generator, and Jackson Street water and sewer lines. The loans are interest free. The loans will be paid from resources of the Water and Sewer enterprise funds.

OWDA Loans Payable

The City has entered into loan agreements with the Ohio Water Development Authority for construction of a water tower, wastewater treatment plant improvements, waterline replacements, Third Street Sewer separation, Second Street Sewer, Second Street water main replacement, Sixth Street water lines, sanitary and storm sewer improvements, water main replacement, and water distribution system planning. The loans will be paid from resources of the Water and Sewer enterprise funds.

The OPWC and OWDA loans will be paid from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the OPWC and OWDA loans, for which amortization schedules are available, are \$144,912 and \$8,513,296, respectively. Principal and interest paid for the current year and net revenues were \$208,414 and \$253,340 for the Water enterprise fund and \$755,418 and \$1,266,672 for the Sewer enterprise fund.

The City's legal debt margin was \$13,680,036 at December 31, 2014.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

The wastewater treatment plant improvements, Sixth Street water lines, sanitary and storm sewer improvements, water main replacement, and water distribution system funded by OWDA loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

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

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2015	\$10,000	\$6,250	\$3,000	\$195
2016	10,000	5,875	0	0
2017	10,000	5,500	0	0
2018	10,000	5,100	0	0
2019	10,000	4,700	0	0
2020-2024	50,000	17,440	0	0
2025-2028	50,000	6,054	0	0
Total	\$150,000	\$50,919	\$3,000	\$195

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

Year	General Obligation Bonds		OPWC	OWDA Loans	
	Principal	Interest	Loans	Principal	Interest
2015	\$160,000	\$123,622	\$15,260	\$569,582	\$185,063
2016	165,000	117,622	15,259	587,347	167,296
2017	170,000	111,435	15,260	605,813	148,830
2018	180,000	104,635	15,261	625,010	129,632
2019	185,000	97,435	15,260	600,419	109,671
2020-2024	1,060,000	367,496	67,591	2,710,527	294,377
2024-2029	1,035,000	118,085	1,021	1,226,529	68,647
2030-2032	0	0	0	478,106	6,447
Total	\$2,955,000	\$1,040,330	\$144,912	\$7,403,333	\$1,109,963

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for vehicles. New capital leases are reflected in the accounts “Security of Persons and Property-Police” and “Inception of Capital Lease” in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and change in fund balance for governmental funds and as a reduction of the liability in the enterprise funds. Principal payments in 2014 were \$42,386 for governmental funds and \$61,916 for enterprise funds.

	Governmental Activities	Business-Type Activities
Vehicles	\$181,452	\$383,500
Less Accumulated Depreciation	(37,617)	(140,127)
Total	\$143,835	\$243,373

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

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$48,543	\$2,961	\$64,708	\$4,354
2016	49,758	2,495	55,026	1,429
2017	5,341	2,017	0	0
Total	\$103,642	\$7,473	\$119,734	\$5,783

NOTE 19 - FUND BALANCE

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

	General	Municipal Purposes	Other Governmental Funds
Nonspendable for:			
Materials and Supplies Inventory	\$21,843	0	\$12,090
Unclaimed Monies	20,513	0	0
Total Nonspendable	42,356	0	12,090

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 19 - FUND BALANCE (continued)

Fund Balance	General	Municipal Purposes	Other Governmental Funds
Restricted for:			
Cemetery Maintenance	\$0	\$0	\$57,443
Debt Retirement	0	0	31,499
Economic Development	0	0	1,138,182
Fire Department Operations	0	0	62,525
Permanent Improvements	0	306,833	97,809
Marine Maintenance and Operations	0	0	6,723
Police Department Operations	0	0	43,006
Street Construction and Maintenance	0	0	385,448
Total Restricted	0	306,833	1,822,635
Assigned for:			
Debt Retirement	0	0	5,045
Projected Budget Shortage	364,293	0	0
Permanent Improvements	0	0	134
Street Construction and Maintenance	3,636	0	0
Unpaid Obligations	27,523	0	0
Total Assigned	395,452	0	5,179
Unassigned (Deficit)	121,925	0	(35,171)
Total Fund Balance	\$559,733	\$306,833	\$1,804,733

NOTE 20 - INTERFUND TRANSFERS

During 2014, the General Fund made transfers to the Municipal Purposes capital projects fund and other governmental funds, in the amount of \$425,000 and \$170,000, respectively, to subsidize activities of the various funds.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(continued)

NOTE 21 - INSURANCE POOL

The City participates in the Ohio Plan Risk Management, Inc. (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from Ohio Plan Risk Management, Inc., 420 Madison Avenue, Toledo, Ohio 43204.

NOTE 22 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

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

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CITY OF PORT CLINTON
OTTAWA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	93369	20.205	\$475,000
	89417		466,627
	93549		<u>242,175</u>
Total U.S. Department of Transportation Federal Highway Administration			<u>1,183,802</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Development Services Agency</i>			
Community Development Block Grant - State's Program	A-C-12-2DG-1	14.228	81,092
Home Investment Partnerships Program	A-C-12-2DG-2	14.239	<u>271,980</u>
Total U.S. Department of Housing and Urban Development			<u>353,072</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Assistance			
Treasury Executive Office for Asset Forfeiture (TEOAF)	N/A	97.XXX	<u>10,370</u>
Total Federal Awards Expenditures			<u><u>\$1,547,244</u></u>

The accompanying notes are an integral part of this Schedule.

**CITY OF PORT CLINTON
OTTAWA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the City of Port Clinton's (the City's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - HOME REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to lend money to eligible persons to rehabilitate homes, for rental housing rehabilitation and rental assistance. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Development Services Agency. The initial loan of this money would be recorded as a disbursement on the accompanying Schedule. Loans for rehabilitation are typically forgiven over a period of time unless a death and/or sale occurs during the time period. Loans repaid are considered program income. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans, but are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2014, the gross amount of loans outstanding under this program was \$1,045,512.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



Dave Yost • Auditor of State

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

City of Port Clinton
Ottawa County
1868 East Perry Street
Port Clinton, Ohio 43452-1497

To the Members of City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Clinton, Ottawa County, Ohio (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Port Clinton
Ottawa County
1868 East Perry Street
Port Clinton, Ohio 43452-1497

To the Members of City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Port Clinton, Ottawa County, Ohio's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Port Clinton, Ottawa County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2015

**CITY OF PORT CLINTON
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction – CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2014-001

Material Weakness – Financial Reporting

We identified the following errors requiring adjustment to the financial statements:

- On-behalf-of intergovernmental revenues and capital outlay disbursements related to an Ohio Department of Transportation (ODOT) grant in the amount of \$20,921 were incorrectly recorded in the Sewer Fund as Capital Contributions. This activity was reclassified to be properly accounted for in the Municipal Purposes Fund as Intergovernmental revenues and Capital Outlay disbursements;
- \$178,689 in Operating Grants and Contributions associated with an ODOT Safe Routes to School grant were incorrectly allocated to the Community Environment expense line in the Statement of Activities. This amount was reclassified to the Transportation expense line; and
- \$236,994 in Water Fund Capital Contributions (and corresponding Depreciable Capital Assets) were removed from the basic financial statements due to the amounts having been previously recorded in the City's audited financial statements.

The accompanying financial statements and, where applicable, accounting records have been adjusted to reflect the necessary changes.

These errors were not identified and corrected prior to the City preparing their financial statements due to deficiencies in the City's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the City Auditor and the City Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the City's financial statements and notes to the statements are complete and accurate, the City should adopt policies and procedures, including a final review of the statements and notes by the City Auditor, to identify and correct errors and omissions.

Officials' Response:

The City Auditor, in conjunction with the Port Clinton City Council and Port Clinton Administrative Staff, will continue to work to ensure the actual and proper classification of any and all financial activity as it relates to the City of Port Clinton's fiscal operations.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF PORT CLINTON
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material weakness for the failure to accurately record and classify various transactions and improve monitoring of financial activity.	No	Not corrected. Repeated as Finding number 2014-001 in this report.

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CITY OF PORT CLINTON

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2015**