

CITY OF NORTH OLMSTED

POPULAR ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

5200 Dover Center Road, North Olmsted OH 44070
www.north-olmsted.com 440-777-8000

Dear Citizens of North Olmsted:

We are pleased to present to you the City of North Olmsted's Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2013. The care of your tax dollars is of great concern to our administration and we believe this direct communication will lead to a more informed and engaged community.

This community report is intended to present an accessible overview of the City's financial position and the City's commitment to providing services and programs in a fiscally responsible manner. This PAFR explains where the City's revenues come from and how the City's dollars are spent. Information contained within this report was obtained from the more extensive 2013 Comprehensive Annual Financial Report (CAFR). The 2013 CAFR is comprised of more than 160 pages of detailed financial statements, notes, schedules, and statistical information. Our financial statements were prepared in conformance with Generally Accepted Accounting Principles (GAAP), and received an unqualified (or clean) audit opinion.

The highest standards of accounting principles are used by the City to ensure full financial disclosure and accountability. Recognition of this commitment is evidenced by the City attaining the Government Finance Officers' Association's *Certificate of Achievement for Excellence in Financial Reporting* for its CAFR for fourteen consecutive years.

While the numbers in this PAFR come from an audited source, they are presented in an un-audited format, on a GAAP basis, but do not include the City's discretely presented component unit, North Olmsted Commission on Paratransit (NOCOP). Readers desiring the more detailed financial statements and the full disclosure GAAP basis of accounting information reported in the CAFR may review the CAFR on the City's website at www.north-olmsted.com.

Thank you for taking the time to review this year's PAFR. We hope it serves its purpose and provides you with a better understanding of the City's financial health and the steps taken by our administration to ensure that your tax dollars are spent responsibly. We invite you to contact us to share any suggestions, questions, or comments you may have at (440) 777-8000, or finance@north-olmsted.com.

Sincerely,

Kevin M. Kennedy
Mayor

Carrie B. Copfer, CPA
Director of Finance

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In this section, we present an overview of the monies received and spent for the City of North Olmsted for the years ended December 31, 2013 and 2012. The financial information presented in this section is for the City's Governmental Activities, which includes all revenue and expenses of the City except those of the "business-type" activities (the City's golf course and ballroom and sanitary sewer operations) and the City's component unit, NOCOP. Financial information on the City's Business-Type Activities and NOCOP can be found in the City's CAFR.

Where the Money Comes From

The City receives the funding it needs to provide basic services to residents through a variety of sources. The table to the right presents a summary of the City's revenues by source for 2013 and 2012.

Overall, total governmental activities revenue increased by \$273,945 in 2013. Municipal income tax revenue, which comprises the City's largest revenue source, increased by \$528,048 in 2013, which can be attributed to an improving local economy. These revenues are expected to remain steady in 2014.

Property and other tax revenue, which is the City's second largest revenue stream, decreased slightly in 2013 due to a decline in assessed valuations in real property.

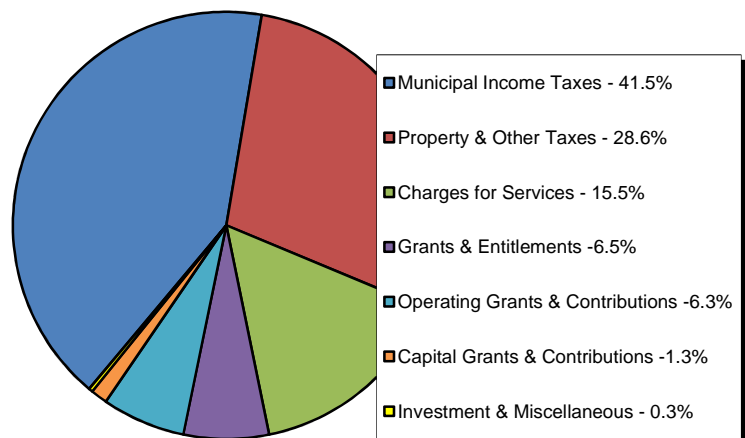
Charges for Services increased by \$608,568 in 2013. This increase can be partly attributed to an increase in revenues from the Mayor's Court program that was started in 2013, as well as from an increase in recreation revenues.

The most dramatic decline in revenues in 2013 was in Grants and Entitlements, which decreased by \$772,039. This decline is a result of permanent reductions in local government funding that have recently been enacted by the State of Ohio. The City anticipated and prepared for the decline in funding from the State by reducing recurring expenses and monitoring employee attrition.

Municipal income tax revenue is the City's largest revenue source, accounting for 41.5% of total revenue in 2013.

Revenues	2013	2012
Municipal Income Taxes	\$13,815,005	\$13,286,957
Property and Other Taxes	9,525,254	9,743,908
Charges for Services	5,158,180	4,549,612
Grants and Entitlements	2,147,473	2,919,512
Operating Grants & Contributions	2,100,956	2,039,791
Capital Grants & Contributions	418,172	366,480
Miscellaneous	37,415	43,589
Investment Earnings	61,556	40,217
Total Revenues	\$33,264,011	\$32,990,066

2013 Revenue by Source



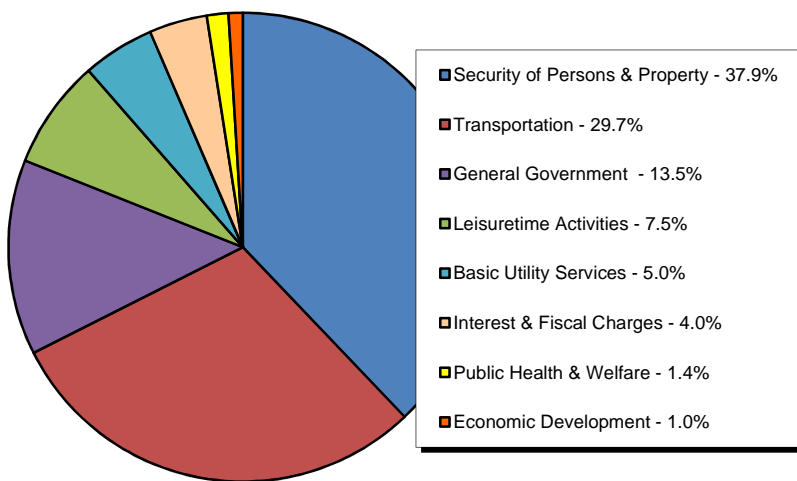
Revenue Source Definitions

- Income Taxes** – The City levies a 2% income tax on substantially all income earned within the City.
- Property and Other Taxes** – Includes the City's portion of the taxes due on real property and the 3% hotel/motel excise tax.
- Charges for Services** – Significant sources include recreation programs, medical transport fees, building department permits, and court costs and fines.
- Grants & Entitlements** – Significant sources include revenue received from local government funds distributed by the State.
- Operating Grants & Contributions** - Includes revenues received from State levied shared taxes, motor vehicle license and fuel taxes, as well as operating grants secured by the Police and Fire Departments.
- Capital Grants & Contributions** – Includes monies and asset contributions received for capital projects.
- Investments** – Revenue earned by investing all available City funds throughout the year.
- Miscellaneous** – Includes refunds and reimbursements, as well as the sale of recycled materials and donations.

Where the Money Goes

Expenses By Function	2013	2012
General Government	\$4,612,689	\$4,096,769
Security of Persons & Property	12,974,261	12,847,883
Public Health & Welfare	504,219	527,602
Transportation	10,161,662	10,314,338
Basic Utility Services	1,700,564	2,100,931
Leisure time Activities	2,583,952	2,472,946
Economic Development	339,198	476,253
Interest & Fiscal Charges	1,371,593	1,197,352
Total Expenses	\$34,248,138	\$34,034,074

2013 Expenses by Function



The chart to the left presents a two-year comparison of the City's governmental activity expenses. Expenses increased by only \$214,064, or less than one percent from 2012 to 2013. A major factor contributing to the overall increase in expenses was an increase in salaries and the cost of benefits. In 2013, new collective bargaining agreements were reached with the City's Dispatchers, Firefighters, Clerical Technical, and Service unions. These new agreements provided for 2% raises in 2013, and 2.5% retroactive raises for these groups for 2012. The City's nonbargaining employees, as well as Police and Corrections officers also received 2% raises in 2013. The increase in salaries and benefits was offset by a significant decrease in contractual services, which was the result of a lower negotiated contract for trash removal and recycling in 2013.

In response to the anticipated further reduction in state-levied revenues, the City has maintained a conservative approach to budgeting. City administration and Council have been reviewing operations for opportunities to gain efficiency and contain costs, including reducing recurring expenses and monitoring employee attrition. The City has also been proactive in seeking additional revenue opportunities including establishing a Mayor's Court in 2013, and pursuing various grants.

The pie chart to the left shows the distribution of the City's expenses by function.

Security of Persons and Property, which represents the cost of providing police, dispatch, fire and paramedic services, consistently ranks as the largest outlay, as safety is always a priority. Both the Police and Fire departments require large workforces that are required around the clock to ensure the safety of the community.

Transportation is the City's second largest program function and includes the cost of providing all public works services including street and storm channel maintenance and improvements, public property maintenance, snow removal, and equipment maintenance.

Expense by Function Definitions

- **General Government** – Includes all general administrative expenses used by the entire City such as Council, Mayor's Office, Finance, Law, etc.
- **Security of Persons & Property** – Includes the cost of providing police, dispatch, fire and paramedic services.
- **Public Health & Welfare** – Includes the cost of administering youth and family programs, the City's food pantry, and senior center operations.
- **Transportation** – Includes the cost of providing all public works services such as street and storm channel maintenance and improvements, public property maintenance, snow removal, and equipment maintenance.
- **Basic Utility Services** – Includes the cost of rubbish collection and recycling.
- **Leisure Time Activities** – Includes the cost associated with operating the Recreation Center and recreation and senior programs.
- **Economic Development** – Includes expenses related to attracting and retaining businesses in the City.
- **Interest and Fiscal Charges** – Includes principal and interest payments on municipal debt.

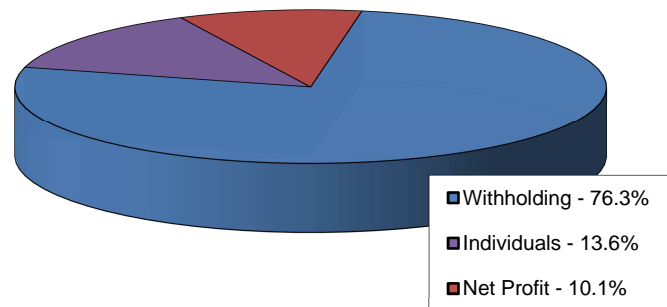
Income Taxes

Income Tax represents the largest source of revenue for the City. The City of North Olmsted levies a 2% income tax on income earned within the City which is applied to gross salaries, wages, personal services compensation, and net income of for-profit organizations that conduct business in North Olmsted. North Olmsted residents are required to pay this tax on income they earn outside the City, but are given a 100% credit, up to 2%, for income taxes paid to the municipality in which they work.

Income tax collections are comprised of three sources: taxes from employee withholdings, taxes from individuals, and taxes on net profits. As shown in the chart at the right, taxes from withholdings comprise the largest component of the City's income taxes, representing 76.3% of collections. Employee withholding is 2% of the wages earned in the City which are deducted from the employees pay and remitted to the City. Taxes from individuals are levied at 2% and are due on any additional income earned by residents from which withholding was not taken. Taxes on net profits are levied on the net income of all businesses located in the City.

The bar graph below shows the City's income tax collections over the past ten years. Income tax collections declined in 2008, as a result of the recession. Slight increases were experienced in 2011 and 2012, and again in 2013 when income taxes recovered to 2007 levels. Income taxes are anticipated to remain stable in 2014 as the largest increase has been in withholding.

2013 Source of Income Taxes



Division of Income Tax Revenue

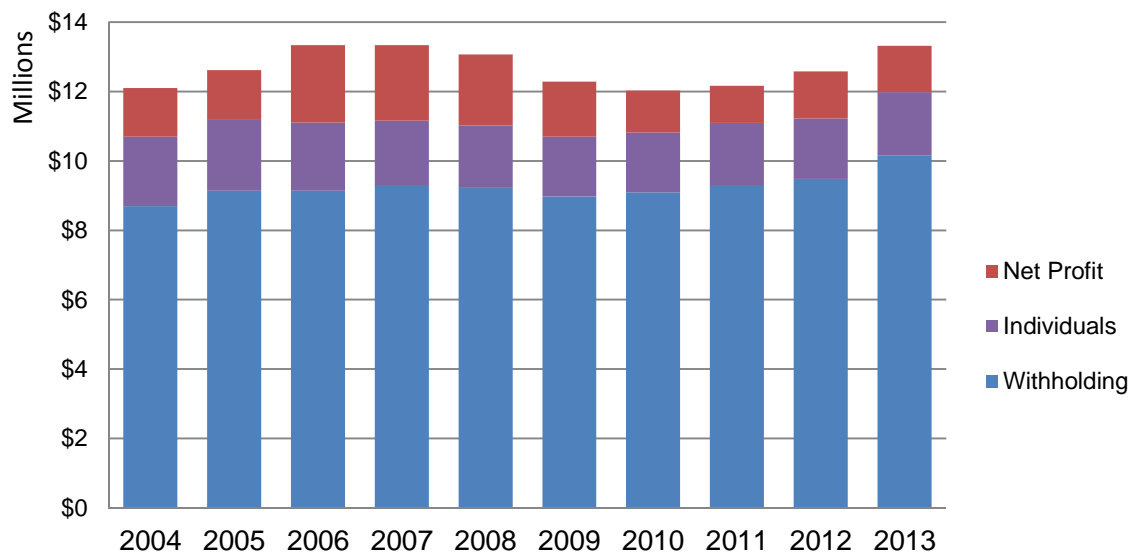
By a vote of the residents, the City's municipal income tax receipts are to be divided as follows:

15% - Permanent Improvement Fund: to pay costs of permanent improvements to the City's street and storm water drainage systems, payment of debt charges on bonds and notes issued for those purposes, and to pay costs of maintaining the City's street and storm water drainage systems, including related equipment.

15% - Solid Waste Fund: to pay costs of services and facilities for solid waste management, recycling and disposal.

70% - General Fund: the remaining balance; to pay costs of general municipal functions.

Income Tax Collections for the Last 10 Years



Note: The above graph presents income tax revenue on a cash basis and depicts only the amounts actually collected in 2013. This differs from the amounts reported in our financial statements on a GAAP basis because the GAAP figures also include the amounts that were receivable at the end of the year.

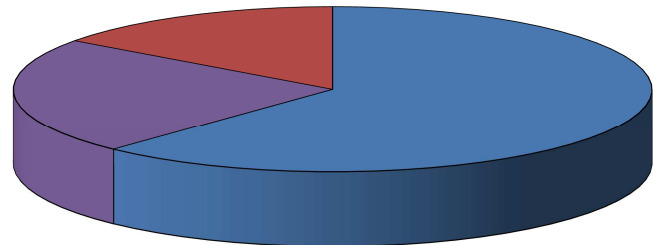
Property Taxes

Property tax in North Olmsted is administered by the Cuyahoga County Fiscal Officer, and is based on the county-assigned value of all parcels of land within each taxing district. The County Fiscal Officer determines an assessed value which is 35% of the appraised market value for each parcel. This value is updated every three years based on the average price that surrounding or similar properties sold for within the previous three-year period. Every six years, the Fiscal Officer revisits all properties to reappraise the value of each piece of land based on any building additions or major improvements. The most recent comprehensive reappraisal was completed in 2012.

A key difference between the City of North Olmsted and the North Olmsted City School District is the main funding source used by each entity for operating purposes. The North Olmsted City School District, as all school districts in Ohio, is mostly funded by taxes paid on property that falls within the district. Conversely, the City has a diverse revenue stream that funds governmental operations.

As shown in the chart below, for every \$1.00 of your property taxes paid in 2013, the City received approximately \$0.15. The majority of your tax dollars support the North Olmsted City School District and various Cuyahoga County programs and services.

Recipient of Property Taxes



■ North Olmsted City School District - 62%
 ■ Cuyahoga County & Library - 23%
 ■ City of North Olmsted- 15%

For tax collection year 2013, a homeowner in North Olmsted will pay 2.81% of market or appraised value of their home in property taxes. The bar graph below compares the City of North Olmsted's tax rate with the tax rate of other area cities.

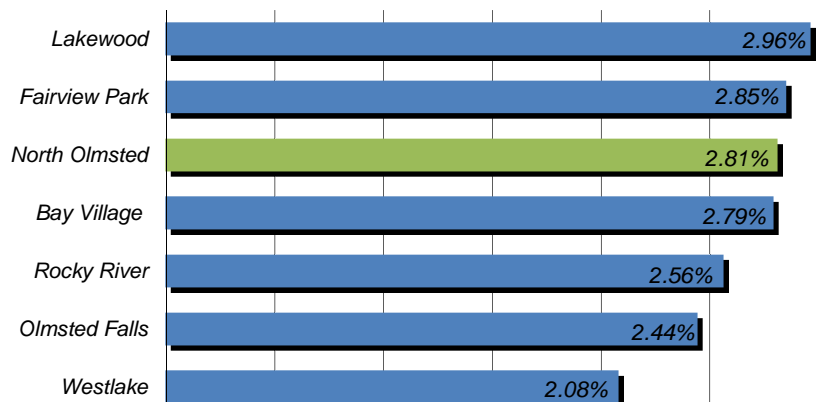
North Olmsted Property Tax as a Percentage of Market Value

A simple percentage can be used to estimate the total property taxes for a home. Multiply the market value of the home by the percent listed for the North Olmsted taxing district (2.81%).

Example: Taxes for a \$150,000 home in North Olmsted:

\$150,000 x 2.81% = \$4,215 annual property tax bill.

Comparative Property Tax Rates for Collection in 2013
 (Shown as a percentage of market value):



*To view your property's tax assessment, please visit the Cuyahoga County Fiscal Officer's website:
<http://fiscalofficer.cuyahogacounty.us>*

The City of North Olmsted is committed to a long-term goal of rebuilding and maintaining its infrastructure and facilities. The Mayor and his administration have developed a five-year capital plan and are using it to prioritize important improvements within the City. The City actively pursues grant and other funding opportunities in order to make improvements to its capital assets while maintaining fund levels for current operations.

In 2013, the City issued \$5,150,000 of Capital Improvement and Equipment Bonds, of which \$2,890,000 was for the following 2013 capital improvements and equipment:

- ❖ **Police Station Renovation:** In 2013, construction activities began in the North Olmsted Police Station to make needed improvements for ADA accessibility, improved efficiency, and modernization of this building originally constructed in 1973. This project was substantially complete in March of 2014.
- ❖ **Recreation Center Improvements:** Several capital improvements were also made to the City's Recreation Center in 2013, and include a complete replacement of the ice rink chillers, installation of energy efficient lighting throughout the complex, and relocation of and improvements to the gymnastics area. In 2014, the Rec Center will undergo additional improvements, as the City will move forward with its plan to add a fitness area (additional details described below).
- ❖ **Emergency Vehicle:** A new Freightliner Ambulance was put into service by the Fire Department in 2013. This vehicle replaces an outdated unit that was more than nine years old.
- ❖ **City-Wide Signalization Upgrade:** In 2013, the City began the first design phase of the city-wide traffic signal system upgrade project. Traffic counts and signal warrant analyses were performed at each of the City's existing signaled intersections and preliminary layouts of traffic signals and poles for Phase I Intersections are in progress. The Ohio Department of Transportation is projecting the construction for this project to begin in 2015 of which 80% is funded by a federal grant.
- ❖ **Computer Software:** On December 10, 2013, the City went live with a new software program in the Division of Building. The new Permits and Code Enforcement module is used to track permit activity, contractor registration, and code enforcement efforts. The software implementation process occurred over a period of a year where City staff worked with the implementation team to customize the program for the needs of the City. This module is able to integrate with other modules already in use in other City departments and divisions. The software represents a great leap in technology, allowing for improved recordkeeping, real time inspection entry in the field, and incorporation of planning, building, and engineering projects into one system.
- ❖ **Asphalt Paving Projects:** The City continued its annual capital improvement of City streets. The streets were identified based on need using the City's most recent street rating analysis. In 2013, the City resurfaced seven streets, including Butternut Ridge Road. In total, more than 500,000 square feet of roadway was resurfaced.

Recreation Fitness Center Project

In February of 2014, the City issued \$2,150,000 in capital improvement notes designated for improving the City's Recreation Center Complex. The major improvements include adding a fitness area, remodeling and relocating the front desk area, renovating and expanding the existing locker rooms, and creating new multipurpose rooms that can be used for meetings and fitness classes. The Fitness Facility is expected to open in late fall, 2014.



The new fitness area will be located on the newly-remodeled second floor of the recreation center. This area will feature designated spaces for stretching, cardio equipment, selectorized weight equipment and free weights. The cardio space will overlook the City's indoor pool.



Renovating the lobby and front desk area, as well as increasing the capacity of the locker rooms will help accommodate the increasing flow of program participants.

Annual Fitness Center Memberships are on sale now and commence the first day the Fitness Center is open.

Annual Membership Rates for North Olmsted Residents:

Child (3-14 years of age)	\$ 50.00
Student (15-17 years of age)	180.00
Adult (18-54 years of age)	220.00
Senior (55 and older)	180.00
Family (up to 5 members)	350.00

Monthly and Non-Resident memberships are also available.

This section provides information on the City's most significant long-term obligations. It presents summarized information for both the governmental and business-type activities. Detailed information regarding all of the City's long-term obligations can be found in the City's 2013 CAFR.

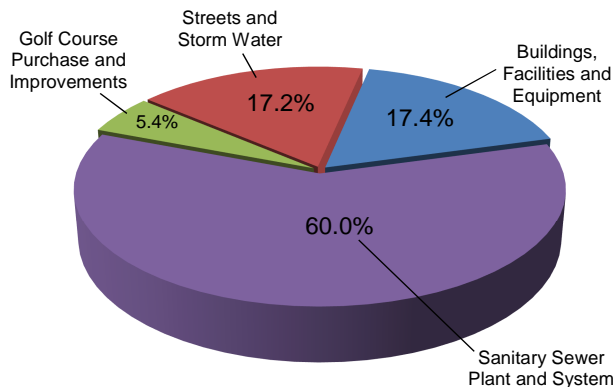
Debt

The City of North Olmsted has been a responsible borrower and has issued debt when needed to address significant and necessary capital improvements within a prioritized plan. The chart to the right shows the purposes for which the City's outstanding debt has been issued.

The City takes advantage of the no-interest or low-interest loan programs offered by the Ohio Public Works Commission (OPWC) and the Ohio Water Development Authority (OWDA) for specific approved street or sanitary projects.

The City has obtained OWDA Water Pollution Control Loan Funds (WPCLF) to finance the design and construction costs associated with the EPA-mandated improvements to the City's sanitary collection system and waste water treatment plant. The loans obtained for Phase I and Phase II of the construction project were approved for \$10,079,074 and \$48,047,355, and have interest rates of 2.8% and 2.44%, respectively. These loans will be paid off over twenty years, and will be supported by the user charges for sanitary sewer service.

Outstanding Debt by Purpose



The primary reason the City has incurred debt or obtained loans is to significantly improve the streets, sewer system, and public facilities throughout the City.

Bond Rating

The City of North Olmsted has maintained stable AA- and Aa2 bond ratings issued by Fitch Ratings and Moody's Investors Services, respectively. According to Moody's in its most recent rating on January 24, 2013:

"The City's financial operations are expected to remain strong in the near term due to a proactive and conservative management team, healthy and growing reserves and a demonstrated willingness to make mid-course budget corrections."



Regal Cinemas and The Rail restaurant opened at Great Northern Mall in December 2013.

Building and Development

2013 was another strong year in construction and permit activity in the City's commercial district.

- ❖ Great Northern Mall built a 10 screen Regal Cinema as well as added several new restaurants and businesses in the addition.
- ❖ The North Olmsted Auto Mile has continued the trend with more of its dealerships making significant improvements in 2013 including Aston Martin, Maserati, Mercedes and Porsche enhancing the Lorain Road Corridor.
- ❖ The Apartments at St. Richard, a 34 unit senior housing complex, was built and integrated into the St. Richard Parish community providing another affordable senior housing option in North Olmsted.



City of North Olmsted
5200 Dover Center Road
North Olmsted, Ohio 44070
Phone: 440-777-8000
www.north-olmsted.com



Your Elected Officials

Kevin M. Kennedy, Mayor
Carrie B. Copfer, CPA, Director of Finance
Michael R. Gareau, Jr., Director of Law
Nicole Dailey Jones, President of Council
Louis J. Brossard, Ward 1
Paul R. Barker, Ward 2
Paul Schumann, Ward 3
Mary Ellen Hemann, Ward 4
Kevin G. Kearney, Council-At-Large
Duane H. Limpert, Council-At-Large
Angela Williamson, Council-At-Large

ECRWSS
Postal Customer
North Olmsted, Ohio 44070

Appointed Directors

Donald Glauner, Director of Safety and Service
Cheryl Farver, Director of Human Resources
Kimberly Wenger, Director of Planning and Development



Strategic Plan

Late in 2013 the city began the process of its charter-mandated 10 year update to the 2005 master plan. Guided by planning consultants and staff, a citizen committee was formed and the Go North Olmsted master plan process began its 15 month journey.

What is a master plan? A master plan essentially assesses existing conditions in the city using current trends and demographics and sets forth a blue print for the future taking into consideration citizen input so that the plan reflects the community's values and aspirations. It will encompass many aspects of community life including, but not limited to, land use, housing, economic development, community amenities and infrastructure. Find more information on this process at gonortholmsted.org.



Public workshop meeting held July 31, 2014.

City Text Messages

The City offers a text messaging service for residents to receive the latest city information, community updates and safety alerts. Subscribe to the City's VIP Text List by texting T724 (message) to 36000. Standard rates and messaging services will apply.

City of North Olmsted Offices

Administrative Offices	440-777-8000
Fire Division (non-emergency)	440-777-1214
Mayor's Court.....	440-716-4156
Oxcart Pantry	440-716-4165
Police Division (non-emergency)	440-777-3535
Public Service Department.....	440-716-4151
Recreation Center.....	440-734-8200
Senior Center.....	440-777-8100
Springvale Ballroom.....	440-777-0161
Springvale Golf Course	440-777-0678
Waste Water Treatment Plant	440-777-1881